



# Nation's Business

NOVEMBER 1980

the business advocate magazine

more than 1,265,000 paid circulation

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Rebuild,  
★America!**

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Out of the  
Shadows?



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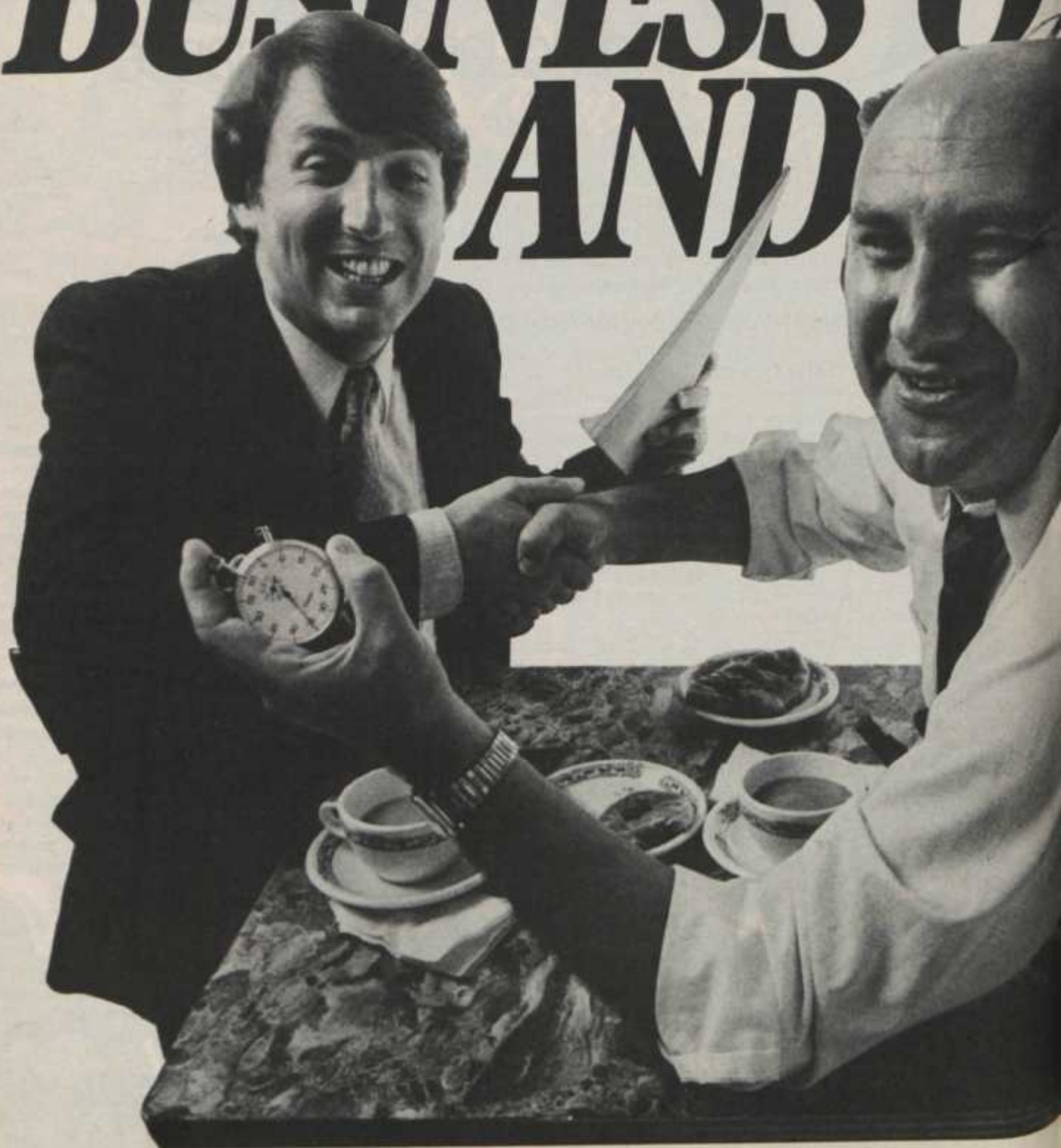
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# Nation's Business



## Rebuilding

Getting America back on track and competitive with the rest of the world calls for a multipronged effort to unshackle business so that private initiative can provide the solutions.

by Vernon Louviere **32**



## Powering

While sunpower is not the total answer to our energy needs, it is a resource we can't afford to keep hidden in the shadows. Dramatic growth appears to lie ahead for the solar industries.

by Tony Velocci **46**



## Diversifying

Paul Sticht had to get rid of management's tobacco mentality when he took over R. J. Reynolds Industries and began putting new life into the firm's diversification program.

by Paul Sarnoff **56**



## Investing

A recognized silver expert looks at the supply and demand prospects in this excerpt from his new book, *Silver Bulls*. Will change in Russia help make silver an investors' gold mine?

by Paul Sarnoff **78**

Cover Photo: Jim Howard—Alpha

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**Industrial Development**  
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## Exchange

The executive exchange program is an eye-opener for business people who spend a year in the federal maze as civil servants.

by Michael Thoryn **65**

## Survey

The annual Sibson survey of management compensation finds more than 60 top executives have passed the million-dollar mark. The forecast: There'll be additions to this exclusive club as companies react to inflation and taxes.

by Ronald Goettinger **70**

## Image

Personal image makers are increasingly being called upon for their expertise in

helping executives to create an aura of success.

by Mary Tuthill **74**

## Competitors

While there is no denying the continued growth of the sun belt states, the outlook is brightening for states in the frost belt.

by John Adams **84**

## Entrepreneur

Country singer Jimmy Dean, who expanded his horizons to sausage making and now is into restaurants, has become a radio crusader for free enterprise. He is taking on the bureaucrats in a series of pithy commercials.

**90**

## Fund-Raising

If the boss volunteers you for a stint as a fund-raiser, here are some do's and don'ts that will help you.

by Williamson Day **94**

## Now

Are you a victim of your own long-range goals? Too many business people miss out on success because they miss out on today.

by Frank Beaudine **100**

## Life-Style

Racquetballers claim that they are at least 10 million strong and that their sport is the fastest growing in the nation. In any event, it is one fast game.

by John Costello **103**



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# WASHINGTON LETTER

► SUPREME COURT docket for fall term is heavy with issues of importance to business. In separate cases involving OSHA and EPA, justices are expected to clarify earlier benzene ruling, which seemed to require that regulators consider cost-benefit ratio in reaching decisions. Other major questions: whether courts may review FTC decision to issue complaint; constitutionality of Surface Mining Control and Reclamation Act; patentability of some computer-related processes; weight of the SEC's burden of proof in administrative enforcement actions; whether anti-trust defendants may insist that co-defendants who settle their cases contribute to any eventual damage award; if Federal Reserve Board may authorize bank holding companies to manage closed-end investment funds; whether local land-use restrictions constitute a taking of property without compensation, and whether FCC must consider format of radio station in renewing license.

► WINNING IN COURT contest with regulators may be only half the battle, business representatives are learning. U.S. Court of Appeals ruled July 10 that businesses need not pay employees for time spent on OSHA walkaround inspections, or count it as time worked under Fair Labor Standards Act. But OSHA showed no inclination to comply with ruling. On September 29, National Chamber Litigation Center, which brought original case on behalf of U.S. Chamber of Commerce, returned to court with demand that OSHA publicize new policy and cease distribution of material creating false impression of employee rights. Immediate response from OSHA was more foot-dragging, in form of procedural delays.

► OSHA REFORM--Whatever happened to it? Legislation exempting small businesses with good safety records from routine OSHA inspections was passed by large margins in both House and Senate. Unfortunately, each house chose different bill as vehicle to carry reform amendment. Resulting lack of coordination prevented final action before election recess. Issue will probably be taken up again in lame-duck session following election.

► REPORTS OF RECESSION'S DEATH may be greatly exaggerated. "A sharp slowdown in the months ahead" is foreseen by Allen Sinai, vice president and senior economist of Data Resources, Inc., influential forecasting firm based in Lexington, Mass. Behind forecast: continuing weakness in economy, better news on inflation, slower growth of bank reserves, bite of high interest rates, expected decline in swollen federal outlays for goods and services. Says Sinai: "Sawtooth or roller coaster patterns for interest rates are guaranteed" as long as Fed sticks with its new methods for controlling money and credit.

► REPORTS OF COWPS' DEATH may be slightly exaggerated, but it had better update its will. White House delayed transmission to Senate of House-passed bill reauthorizing Council on Wage and Price Stability, preventing passage before pre-election recess. Ostensible reason is administration objection to amendment dealing with COWPS' use of productivity figures. Real reason, says experienced observer of agency, is that same legislation would also have killed Credit Control Act, invoked by President for first time last spring, with results



generally regarded as disastrous. COWPS has temporary funding through December 15, but is unlikely to survive in present form, no matter who wins Presidency. Interesting question: Why is administration so anxious to preserve Credit Control Act?

► **HOT TIP ON ECONOMIC POLICY:** Expect attempts to enact tax-based incomes policy (TIP) if President Carter and his party win re-election by overwhelming margin, advises one business lobbyist. TIP is sophisticated variation on basic wage-price control theme. Idea is to use tax credits (or penalties) to get compliance with w-p guidelines. Proponents--mostly reconstructed Keynesians--see TIP as way to attack inflation without offending traditional Democratic party constituencies. Opponents say wage-price controls don't work, no matter what you call them.

► **PROTECTION FROM IMPORTS** for U.S. auto industry has turned into no-win nightmare for politicians who will have to make decisions. Key federal agencies and departments are divided on issue, depending on whether they are primarily concerned with auto industry profit and unemployment levels, or with preserving competition and lowering inflation. Business community is divided, too. Unions want protection. Hot potato is now in lap of U.S. International Trade Commission, which is expected to make final recommendation by end of this month. ITC could recommend import quotas, expanded adjustment assistance for affected U.S. workers, communities and companies, or no action at all. President then has 60 days to decide whether to accept, reject or alter. Then Congress gets a crack at it.

► **SUPPLY-SIDE TAX CUT** proposals are often criticized as costly break for rich at expense of poor. Study by Washington-based Tax Foundation sheds some light on that argument. Using 1977 Treasury data (latest available), foundation calculates that if tax rate that year had been 100 percent on all

earnings now taxed at rates above 50 percent, government would have gained only \$6.97 billion in extra revenue--enough to pay federal bills for less than one week. Taxable income as low as \$34,200 put a single taxpayer above 50 percent bracket in 1977, foundation reports.

► **U.S. EMPLOYMENT SERVICE** "generally has referred minority and women applicants to low-paying jobs traditionally filled by minorities and women," reports General Accounting Office. Causes of apparent discrimination, says GAO, are "the kinds of jobs employers place with the Employment Service, and applicants' lack of skills."

► **REGULAR AUTO INSPECTIONS** do not justify a cost to consumers that may approach \$1 billion annually, concludes new study published by American Enterprise Institute. According to author W. Mark Crain, professor of economics at Virginia Polytechnic Institute, "nonfatal injury and accident rates have not been reduced by periodic inspection requirements." Only about one in 20 accidents is caused by mechanical failure, says Crain, who finds spot checks superior to regular inspections. He urges National Highway Traffic Safety Administration to recommend random inspections.

► **IF YOUR COMPANY TRUCKS** are not fully employed, consider selling their service to others. Trucking industry deregulation now makes that legally possible, points out Ryder System, Inc., a national truck leasing firm.

► **LATEST PAYROLL STUFFERS** in popular educational series from U.S. Chamber explain long-range problems faced by Social Security system, the importance to employee of improving productivity, and need for concerned citizens to communicate their feelings to elected representatives. Pamphlets are sold in sets of three, ranging from 12 cents to 19 cents per set, depending on quantity. Write Payroll Stuffers, c/o Chamber, or phone (202)659-6183.



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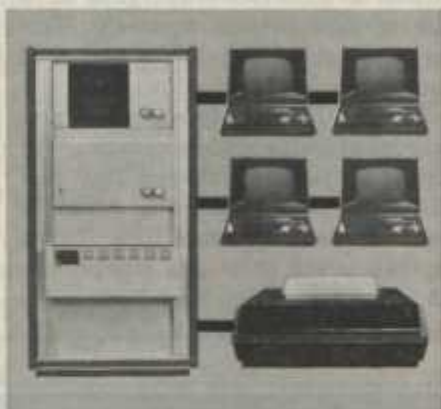
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# You're Doing Fine, Oklahoma

We were quite surprised to read the article in your September issue entitled "Where the Jobs Are." Perhaps startled would be more accurate. Specifically, I am referring to the map on page 26 which shows Oklahoma as one of the "no-growth" (in jobs) states during the next decade.

A Chase Econometrics study released last March 28 predicts that Oklahoma's employment—during the decade of 1978-1988—will grow at a rate of 2.89 percent annually. This ranks our state 10th in the nation in that category.

The U.S. Bureau of Census has projected that Oklahoma's population will grow 11.4 percent between 1980 and 1990. The same source—as noted in your article—says that New York's population will grow at a rate of only 0.5 percent, and yet New York is in-

cluded in the group that the article says will have "strong growth" in jobs. How can a state's population grow less than 1 percent during the next decade and still fall in the category of "strong growth" in job opportunities?

CLYDE C. COLE  
Executive vice president  
Metropolitan Tulsa Chamber of  
Commerce  
Tulsa, Okla.

Mary Tuthill's article, "Where the Jobs Are," is very interesting, but it overlooked a potential area of high employment growth by ignoring Utah and Nevada in the map.

Both of these states are becoming extremely important not only to the nation's energy development, but also to national security.

All in all, I feel the article really

missed the boat by leaving out energy- and defense-related jobs—particularly in Nevada and Utah.

JUDITH STRACHAN  
Ely, Nev.

North Carolina is in the fastest growth period in its history. Data furnished by the U.S. Department of Labor show that during the period 1968-1978 the state gained 112,300 manufacturing jobs, 16.1 percent of the U.S. total. This is remarkable for a state with only approximately 2.5 percent of the population. In fact, North Carolina, California and Texas accounted for 83 percent of jobs won.

ROBERT G. BRINKLEY  
North Carolina Department  
of Commerce  
Raleigh, N.C.

I strongly disagree with two statements in the article, "Where the Jobs Are": One, that having an M.B.A. and a liberal arts degree is the winning combination, and two, that an M.B.A. matched with a four-year technical degree leads to "the world's biggest bore."

On the contrary, technical education, not liberal arts, teaches one how to grasp abstract concepts. Much of business today is technically based, and the only disciplines that teach analytical thinking and other quantitative skills are the sciences and math. I can honestly say that my technical background and M.B.A. have added to my dynamic, far from boring, personality.

SUE CALI  
Lindenhurst, N.Y.

## Another solution

The article entitled "Energy: Elusive Solutions" [August] contains a first-rate analysis of many of the problems besetting us on the energy front. However, the article repeats the much-criticized assertion that the U.S. can use 30 to 40 percent less energy than it does today "with only modest adjustments in the way people live." The statement that conservation is "the one solution that could produce substantial cuts in imports over the next five years" is misleading in the ex-

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treme. Energy consumption is increasing at a slower rate because of conservation as well as declining productivity. However, even at the most modest growth levels currently being projected—about 2 percent per annum—energy supplies will still have to double within 35 years.

The article presents a sober and accurate picture of what life would be like should foreign oil suddenly be cut off. However, it altogether ignores the much-publicized conclusion of the Committee on Nuclear and Alternative Energy Systems of the National

Academy of Sciences that nuclear and coal must play a major role in our energy future.

PAUL TURNER  
Washington, D.C.

#### The reason why

Re: "Halting Public Union Walk-outs" [September]. Public unions grew so rapidly because an executive order issued by President Kennedy in 1961 permitting federal unions to organize totally ignored the guidelines for recognizing union affiliation. While in the private sector a 30 percent show of interest is necessary for a representa-

tion election and 50 percent plus one for certification and recognition, Kennedy's order simply required as a show of interest "no less than 10 percent of the employees in the unit" for formal recognition.

H. D. BAIRD  
Fayetteville, Ark.

Re: the graph titled "The Striking Parallel" in the public employe strike article. The graph indicates the number of work stoppages rose from 250 in 1968 to 545 in 1979. That is a growth of 218 percent. In the same period, the number of union members rose from 3.8 million to 6.5 million. That is a growth of 171 percent. The overall growths are not parallel; the union membership shows a rather constant growth, while the work stoppages markedly vary from year to year.

D. J. LOVELL  
Stow, Mass.

Final, best-offer arbitration may be the most workable solution to avoid public employe strikes. Several jurisdictions have implemented final-offer arbitration: Eugene, Ore.; Wisconsin; Michigan (limited to economic issues); Massachusetts, and Palo Alto, Calif. Do final-offer systems reduce the parties' reliance on arbitration? Taking all jurisdictions as a whole, the workability of the system seems well supported. There have been only minimal work interruptions and few court cases resulting from final-offer arbitration. About the same percentage of cases go to arbitration. However, arbitrators generally agree that there is a significant lack of unreasonable positions in final-offer arbitration.

W. H. WALLACE  
San Francisco

Workers have a right to withhold their services, even if they are public service employees. However, the employer has an equal right to hire someone who does want to work, in good or bad times; but especially when people are begging for work, as now. The unions do not have the right to prevent the filling of positions, although they are striving to propagate the myth that a worker owns a job even when he won't work at it.

WARREN SNYDER  
Chicago

#### Working theory

I read somewhere (or am I mistaken?) that seven out of every 10 working people work for some level of government in some capacity, which is far too many. They get many fringe benefits



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that are not comparable to private companies, yet the taxpayer foots the bill.

And President Carter wants to increase the federal payroll.

EVELYN JORGENSEN  
Grand Forks, N.D.

### Gambling no good

Re: "Is Gambling Good for Business?" [August]. Gambling may bring in a lot of money and seeming business, but it does not add any tangible product for the welfare of any community. Much more, it creates more gamblers, prostitutes, hangers-on and pimps. Gambling is just not good for the morals of people in general, and thus it is a detriment to a community or nation. Please do not promote it or picture it as bettering any community.

R. E. SACKETT  
Waterloo, Iowa

### Grocers' boon

Your item on the impact of the Motor Carrier Act of 1980 upon small grocers ["Discount Squeeze Troubles Grocers," Outlook, August] unfortunately portrays these entrepreneurs as victims of truck deregulation when in

fact they have long advocated its benefits and adoption. Section 8 will permit food or grocery sellers who usually deliver their goods to customers to grant pickup allowances no greater than the actual amount of the sellers' transportation costs if the customers pick up the goods themselves. This will encourage increased transportation efficiencies and cost savings in the marketing and delivering of food and grocery products.

THOMAS K. ZAUCHA  
Washington, D.C.

### Unnecessary costs

Re: "Seven Ways to Land a Loan" [June]. The article suggests that a small business operator can impress an institutional lender if company statements are audited, preferably by one of the Big Eight firms. As a former Big Eight audit manager, I know that a multinational firm incurs costs from a national and international network of offices, few of which can ever benefit the small business operator. Unfortunately, the small businessman must bear these costs, in the way of audit fees, for services he never uses. To suggest that a small business operator be audited by a Big Eight firm is anala-

gous to having a local businessman ask Massachusetts Mutual for investment counseling advice.

DAVID P. BROMAN  
Los Angeles

### The real question

I read with interest Securities and Exchange Commission Chairman Harold Williams' simple entreaty to corporate America ["Clean Up Your Act," September]. A fair amount of reformation within the American business sector has occurred in recent years—much of it at the behest of government—and that's all well and good. Now, I wonder, who will reform the reformers?

STEPHEN D. GILKENSON  
New York

### Web of incompetency

Re: "How Uncle Sam Curbed Detroit" [July]. All \$1.9 billion of auto regulation came directly from the federal bureaucrats to the Detroit auto makers. Why must we concentrate so much incompetency in so small an area as Washington, D.C., when we have such a huge country and could spread it more evenly?

DEAN PURDIE  
Fairbault, Minn.

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# A Prime Minister for Americans?

**I**N GREAT BRITAIN, they "form a government." Here, we elect a President. The question before the house is: Should our Constitution be amended so as to move us closer to the British system?

It is time to raise such a question for serious public discussion. Because of a deadline, these ruminations had to be written before our own November 4 election, but the outcome of the Carter-Reagan-Anderson race is irrelevant to my main theme. It is the office of the Presidency that merits our sober concern.

Beyond that particular office, the whole structure of our political system cries out for re-examination. Profound changes are taking place in the power of the White House, in the role of Congress and in our two-party system. Individually, each of these changes is familiar; taken together, they are not so clearly understood.

By coincidence, two highly qualified observers have undertaken separately to examine these problems in recent weeks. Godfrey Hodgson, a British journalist who covered the White House for many years, has published a brilliant book, *All Things to All Men*. Lloyd Cutler, one of the capital's most respected lawyers, has written a provocative essay for the fall issue of *Foreign Affairs* magazine, "To Form a Government." Metaphorically at least, the two authors are doctors of political science. I myself am not prepared to accept their prescriptions for a remedy—I want to think about these things for a while—but their diagnosis of the illness is exactly on target.

What is this weakening affliction? We are drifting toward a point at which our government may find itself incapable of governing. Nobody is minding the store. Under our Constitution, a President still is vested with great powers—but increasingly, a President finds it impossible to exercise his powers effectively. Congress has simultaneously expanded its authority and diffused it. On Capitol Hill the problem is not that we have no leaders. We have leaders in abundance. The problem is that we have no followers. A powerful, almost uncontrollable bureaucracy functions as a kind of bottomless swamp in which Presidents and programs simply disappear. We continue to pay ritual lip service to the two-party system, but the system is disintegrating.

Like tributary streams, other forces have contributed to the rising river of confusion. Old principles decay—the principles of federalism and of separation of powers. The process by which we nominate and elect a President has been changed fundamen-



tally by such influences as television and the party primaries. No longer do our quadrennial nominating conventions nominate; they go through meaningless motions. As our system has become more independent, it has become less accountable.

Without directly espousing them, Cutler tosses out some bold propositions. We are not ready, he concedes, to move all the way toward Britain's parliamentary system. The Senate, for one thing, is not about to be reduced to a House of Lords. But suppose that we amended the

Constitution to provide that the President, Vice President, senators and representatives would all be elected for simultaneous six-year terms. Suppose that we had to vote for these officers as a party package. Suppose further that a President then formed his cabinet largely from elected members of the House and Senate, giving them ministries in the British fashion. Still more: Suppose we made it possible for a President at some point in his term to dissolve Congress and order new elections. Suppose we empowered Congress at the same time to require a new presidential election also.

**C**UTLER'S OBSERVATION is that we would then have a government capable of putting its program into effect. We would have clear lines of accountability. On certain issues, such as treaties, members of Congress would be free to vote independently, without regard to party allegiance. On most substantive issues, obedience would be required. If the party in power failed to win a vote of confidence, the next motion would be to adjourn *sine die* for new elections.

As I say, I want to think upon these things. My conservative instincts rise up against the idea of re-writing our Constitution in so wholesale a fashion. I am not sure I want a system that is quite so efficient. Our republic has always been long on brakes and short on accelerators. This has not been bad.

Yet there is no denying the pathologists' analysis. The President who takes his inaugural oath in January will find no broad highway toward achievement of his campaign pledges. After the unanimity of opening day, the two parties will cease to function as parties. We will muddle along with shifting coalitions of one-issue pressure groups, parochial concerns and special interests of every variety. Perhaps this is the way democracy is supposed to work; and perhaps, as they say, democracy is the worst form of government except for all the others. But maybe we ought to think about some improvements. □



# WHO SAID THAT?

“Close your eyes and throw a dart at a map of the United States, and it will land at a place where someone is holding a seminar on reindustrialization.”

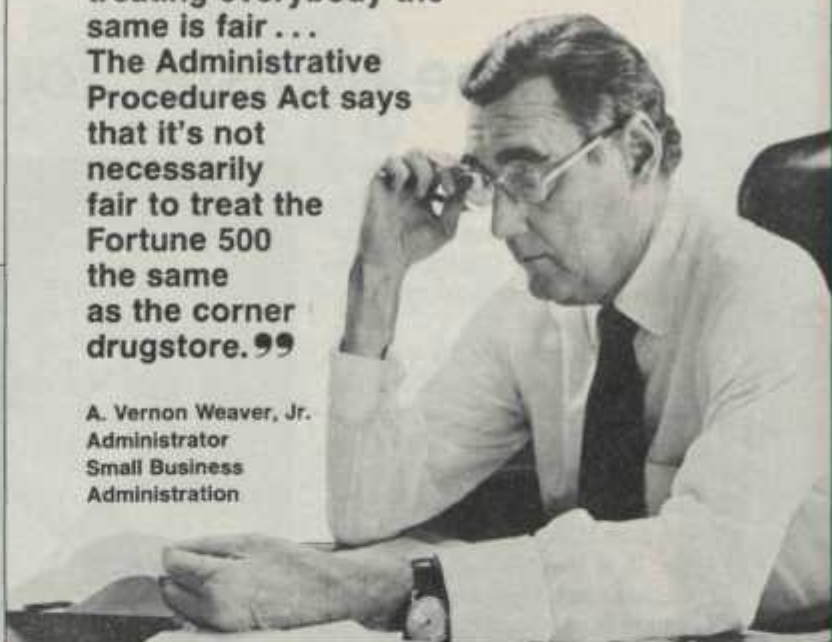
Amitai Etzioni  
Director  
Center for Policy Research, Inc.

“It is time for everyone involved in the interstate bus industry to begin to think of regulatory reform as a rapidly approaching reality for them, too.”

Darius W. Gaskins, Jr.  
Chairman  
Interstate Commerce Commission

“We have always presumed that treating everybody the same is fair... The Administrative Procedures Act says that it's not necessarily fair to treat the Fortune 500 the same as the corner drugstore.”

A. Vernon Weaver, Jr.  
Administrator  
Small Business  
Administration



“Undoubtedly, the greatest shortage on the political scene is a politician who will promise and deliver short-run costs which are unpopular, in exchange for longer-run benefits which would restore economic stability and growth for all our citizens.”

Beryl W. Sprinkel  
Executive Vice President & Economist  
Harris Trust & Savings Bank

“Most of the actions business is being criticized for would not have occurred if those responsible thought that their actions would one day become public. So follow the TV test. Don't do anything you wouldn't be willing to explain on TV.”

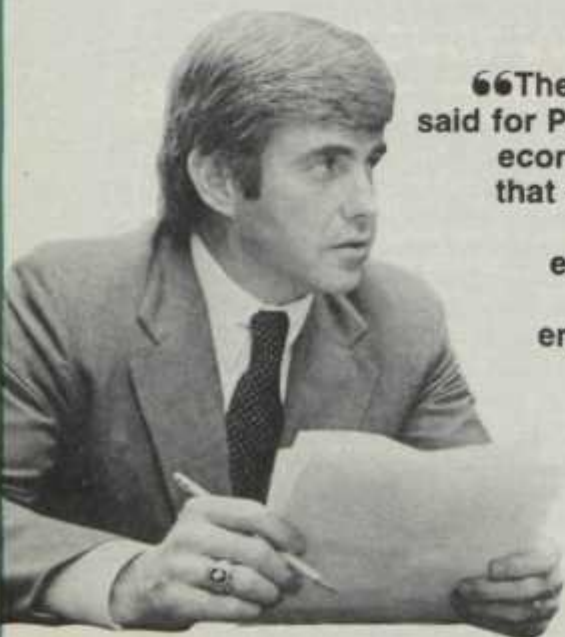
Arjay Miller, Dean Emeritus  
Graduate School of Business  
Stanford University

“The only thing to be said for President Carter's economic program is that even he believes it should not be enacted this year. It should not be enacted next year, either.”

Rep. Jack F. Kemp  
(R-N.Y.)

“There will, no doubt, be further attempts to substitute accounting gimmicks for real spending cuts, an indication of just how difficult it is for Congress to break its 25-year tax and spend habit. But if the habit is not broken, the only thing left to reconcile will be cycles of unemployment and increasing inflation.”

Rep. Ed Bethune (R-Ark.)





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# The Skyrocketing Cost Of Moving Employees

By Sam Butz



Moves can be disasters, but when Mobil Oil moved 1,130 jobs from Manhattan to this Falls Church, Va., complex, about 85 percent of the employees came along.

**I**NFLATION in the cost of relocating corporate employees, double-digit for the past few years, is picking up speed.

Last year it cost an average of \$16,000 to transfer an employee owning his own home—an increase of 24 percent over 1978. This year the indication is that the rise is close to 100 percent. H. Cris Collie, executive director of the Employee Relocation Council, a Washington-based association of firms sharing the problems of employee relocation, reports that "the total cost to a corporation for moving a homeowner in 1980 is in the \$26,000 to \$30,000 range."

Most of the benefits in this package were unthinkable for the average employee 10 years ago. In addition to paying all moving costs for furniture and family, most corporations provide one or two free trips for employee and spouse to the new location to house-

hunt. Some companies do not limit the number of these trips and throw in any baby-sitting costs.

Other benefits, in many cases, include:

- Payment for the services of real estate brokers and for closing costs.
- Interest-free loans of \$5,000 and more to assist with the down payment on a new house. Some companies make outright gifts.
- Payments to the employee to compensate for any increase in his mortgage rate.
- Job-hunting assistance for working spouses.
- Counseling from outside consultants to help all family members adjust to their new environment. At one time such aid was only thought necessary for moves abroad. Now it often is considered a prerequisite for persuading employees to agree to move anywhere.
- Free driving lessons for employees and spouses who are moving from areas where they haven't needed an

SAM BUTZ is a Washington-based freelance journalist.

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## American Electric Power's People Problems

A case that illustrates the people problems which can be stirred up by a group relocation is the move now under way by American Electric Power Service Corporation from Manhattan to Columbus, Ohio.

It all started simply enough when the AEP board decided to move most of its staff operation into the middle of the seven-state area in which the company provides power to nearly 8 million people. The shift was to involve some 900 administrative jobs and more than 1,000 in the engineering department.

The consulting firm of Moran, Stahl & Boyer was retained to survey employee attitudes. Relocation policy called for offering everyone the chance to move with his or her job and for the company to bear the financial burden placed on employees who went to Columbus.

Results of the survey upset the

whole plan. Most employees were highly negative about the move. Resistance was greatest among the engineers, who knew they were in a plentiful job market in New York, the nation's largest center for utility power system design.

Since AEP considers in-house systems design one of its major strengths, the board canceled the engineering move. Relocation of the administrative headquarters was kept on track.

Few limits were placed on the company's relocation benefits package. It provides, for example, generous assistance in obtaining a new home and free exploratory trips.

More than half of the 900 people in headquarters are now expected to make the move.

At last report, AEP estimated that the cost of relocating each employee would exceed \$20,000.

automobile to areas where they will.

• Perhaps the ultimate in psychological guarantees—a company promise to move a family back to their old home if they are not satisfied with the relocation.

Despite the generous, even lavish, benefit packages offered, most firms still find growing resistance to moving. When the relocation involves a major group in a company, it is quite likely that more than half of the employees will refuse to go, preferring to take local transfers if possible, or to look for new jobs if necessary.

A group move is a special case in that it involves uprooting an entire organization, clerical to executive, usually without the inducement of promotions. Most of those in the lower echelons are indigenous to the area they are now in and have never seriously considered moving from their hometowns.

"What's more, there probably aren't any inducements that could get a solid majority of them to move away," says Robert J. Stahl, executive vice president of Moran, Stahl & Boyer, Inc., New York, a consulting firm specializing in planning large group reloca-

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tions. "You would think," Stahl adds, "that people living in more distressed areas, such as parts of the Bronx and Brooklyn, would welcome the chance to move to a spot which is less crowded, with better and cheaper housing, more open space, less crime and so on, but this simply isn't so."

"This problem isn't confined to New York and other big cities. It exists across the country. The feeling is especially strong in ethnic enclaves where a foreign language is spoken. Ethnic ties are much stronger for many people than career opportunities."

Each group relocation, according to Moran, Stahl & Boyer, is a unique event, in which timing is as important as the characteristics and preferences of the group. Company relocation policy—i.e., the benefits package—must be tailored to the real concerns of the group at the time of the move. A misstep can spawn a negative attitude that is contagious. And if a very large percentage of the employees refuse the move, the final costs can be raised by millions of dollars through loss of continuity and efficiency, and the hiring and training of new employees.

**C**ONFIDENTIAL, in-depth questionnaires are used by Moran, Stahl & Boyer to learn the unvarnished opinions, problems and doubts of all employees whose jobs are being relocated.

Frank discussions of the survey's general results then are employed to convince the group that its concerns are understood, being transmitted to top management and will have some influence.

Ideally, in Moran, Stahl & Boyer's opinion, the personnel side of a major relocation should take about three years to plan and complete, or about the time required to build most major facilities. Moves have been rushed through in just a few months, but usually with greater costs. In either case, a move usually is considered successful if more than 50 percent of the employees elect to go along.

Group relocations, however, accounted for a relatively small part of the estimated 500,000 employee transfers by U.S. firms last year. Most were individual moves, involving promotions, or made by persons in the so-called transfer track, who already have been moved at least twice by their company.

Some press reports have applied the experiences of certain group moves across the board and concluded that



# How to tell the board of directors they should move the company to Florida.



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## Alliance Wall's Horror Story

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Despite this, the company had little choice—it could not purchase all of the power required to continue manufacturing in Alliance.

Employment statistics since the relocation reveal the seriousness of the company's struggle—manufacturing now has 150 workers, more than twice the number last summer. Most are still in training.

E. C. Baldwin, Alliance Wall's president, says, "We lost integrity, there's no other way to put it. We missed shipments, and quality took a nose dive. Everything that could go wrong, did. I don't know of a horror story in business to match it."

Would he do anything differently a second time? Baldwin says he would never move an administrative headquarters and a manufacturing operation at the same time, but would keep the moves at least six months apart.

the widespread reluctance to pull up stakes today is because Americans are becoming more interested in family ties, in the quality of their lives and in showing deference to the careers of working wives.

These are not the facts, however, according to the Employee Relocation Council's Collie, who says, "Media claims that these are the main reasons why people reject transfer opportunities simply are not true.

"Undoubtedly, these concerns are more important to more Americans than ever before. But the primary reasons are economic."

A study to be released this fall by Northwestern University for the ERC

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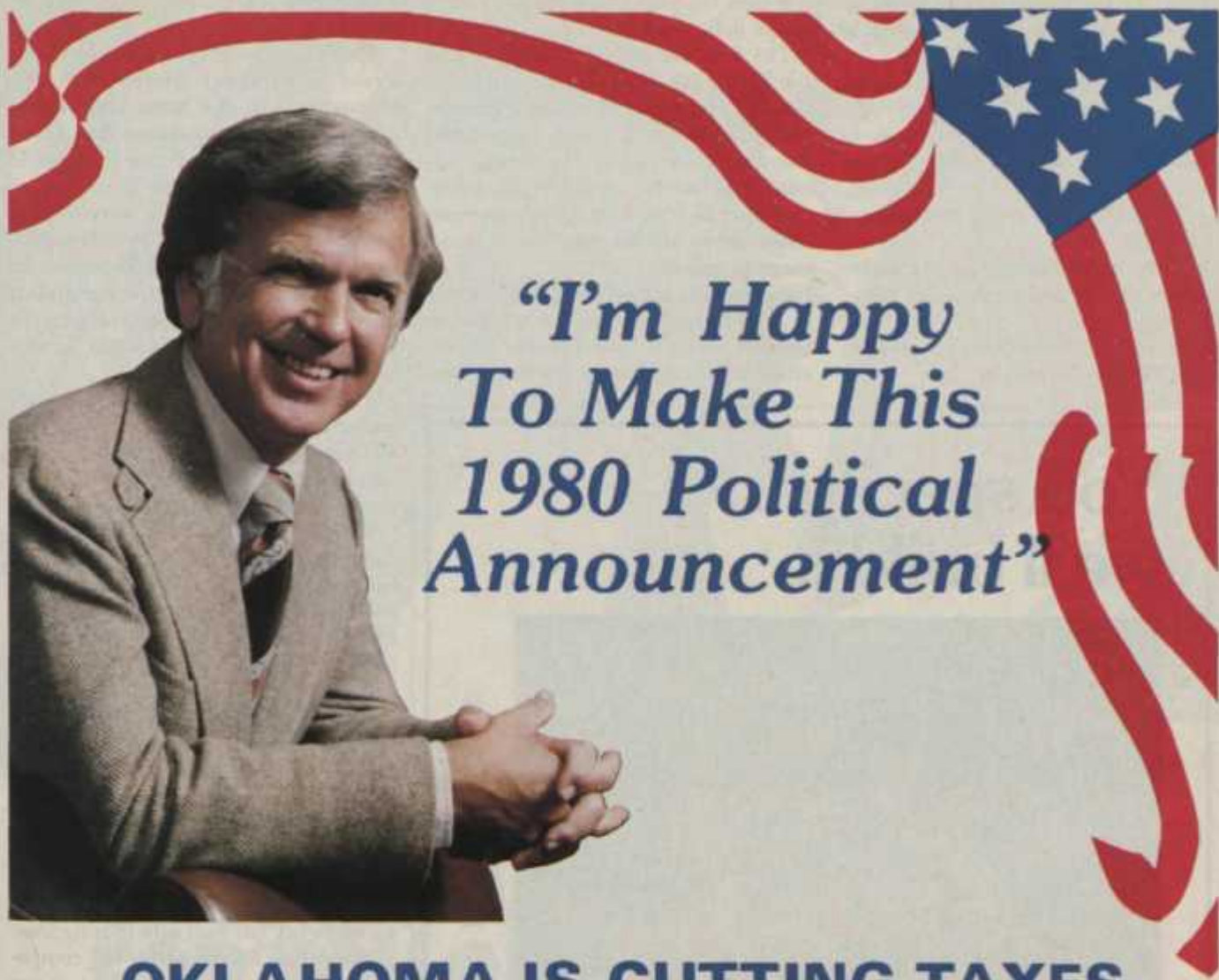
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shows that the major reasons listed by corporations for employee reluctance to transfer are:

- High mortgage interest rates—91 percent of companies.
- Employees being asked to move to areas of high housing costs—71 percent.
- Moving to high living-cost areas—52 percent.
- Employee and family resistance because of family and community ties—27 percent.
- A spouse's reluctance to give up his or her job—26 percent.

- Less than adequate company relocation policy—12 percent.

The data are strongly based; 439 of the ERC's 723 member companies, including many of the nation's largest, contributed to the study. Among the responding companies, the average annual expense for employee relocation exceeded \$3.5 million, and 44 percent listed moderate to significant reluctance to transfer.

Companies got off relatively lightly in transferring renters, as opposed to homeowners, the report shows. The average cost of transferring a renter was

\$4,952 last year, a rise of 16 percent over 1978.

Today's major employee concern is to avoid a personal financial fiasco through selling the home and buying another at a high mortgage rate. Companies' recognition of this problem is spreading rapidly. More than half of those responding to the survey now pay some form of mortgage differential assistance, an increase of 50 percent in two years. And most of the remaining firms report the chances are good to excellent that they will begin in the near future.

The cost of selling a home, which currently reaches 20 percent of its value in many areas, is borne for the employee by 98 percent of the responding companies.

To provide immediate cash for the down payment on a new home, 71 percent of the companies in the survey will lend the employee an amount equal to his equity in the residence he is leaving.

**A**S THE RELOCATION packages grow, so do employee taxes, because all payments made to or on behalf of an employee are reportable by him as income. Under current law, the total deduction allowed is \$3,000 plus the expenses of moving household goods, thereby leaving most transferees with an extra-tax bill well into four figures.

More than 80 percent of the companies surveyed now reimburse employees for these taxes.

Some reduction in industry's multi-billion-dollar relocation bill is expected soon from Congress. Several tax bills now under consideration would allow much more realistic deductions for moving and the sale of houses in connection with moves.

Looking ahead, no relief in the high inflation rate for relocation costs is expected as long as housing costs continue to rise. Company policy, in most cases, appears to be evolving toward the payment of all relocation expenses. The alternative would be to accept a further hardening of employee resistance to transfer.

Individual companies can and do control their costs by limiting relocations—for a period. But on a national basis, the volume of transfers is expected to continue to rise at about 8 percent annually, as it did through most of the '70s. The mobility of experienced labor is an important strength of the economy during business consolidations in recessions, as well as during expansions in good times. □

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## Time To Return to the Gold Standard?

**I**S THE GOLD STANDARD a "relic of barbarism," as John Maynard Keynes asserted, or the best method known for compelling inflation-prone governments to follow responsible fiscal and monetary policies, as its supporters claim? The debate is heating up again, with the Republican platform containing language that some have interpreted as calling for a return to gold.

Under a coin or bullion gold standard, a government must hold sufficient gold reserves to pay all—foreign or domestic—who present the nation's currency in exchange for the metal. How large those reserves must be in proportion to the currency is determined by how much faith people have in the purchasing power of that currency.

Supporters of the gold standard say it constitutes an automatic check on inflation. Suppose, they say, the U.S.

government is on a gold standard and the government (or central bank) begins to expand the supply of paper money and credit faster than the economy is expanding production of goods and services.

Soon, holders of dollars will perceive that the dollar is depreciating—that is, it will buy less. To protect themselves, they will convert dollars into gold. Since the government is pledged to exchange gold for dollars on demand, it must reduce the quantity of nongold money until its gold reserves are sufficient to back what remains. The value of the monetary unit is thus increased relative not just to gold, but also to all other goods and services.

Opponents of the gold standard make these points:

- The quantity of gold is not subject to rapid expansion, and consequently

may not be sufficient to meet the monetary needs of commerce.

- The world's principal gold producers are South Africa and the Soviet Union, both of which would gain from a reversion to the gold standard.

- Much economic damage can be caused by speculative panics when money supplies are tied to gold.

- Potential foreign claims on U.S. gold reserves just about equal those reserves. So nearly all of the U.S. gold hoard could be wiped out overnight, if convertibility were resumed.

The gold bugs respond that a fully convertible U.S. dollar would earn more confidence than does today's, reducing the desire of holders to convert and actually lowering the dollar price of gold.

Is it time to revive the gold standard? What do you think?

PLEASE CLIP THIS FORM FOR YOUR REPLY



Editor  
Nation's Business  
1615 H Street, N.W.  
Washington, D.C. 20062

Is it time to revive the gold standard?

☐ Yes ☐ No

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But proponents of change, claiming unfair discrimination, would alter all that—despite the fact that no one has come up with an acceptable alternative.

That's too bad. Because if age is dropped as a criterion, then older drivers will be forced to subsidize younger ones. If sex is dropped, women will subsidize men. If marital status is dropped, the married will subsidize the unmarried.

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Bradford W. Mitchell  
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## THE ECONOMY

### Senate Democrats Back Supply-Side Economics

A new ascendancy of supply-side economic policies in Congress, no matter who wins the White House, can be glimpsed between the lines of a report issued by the Senate Democratic Task Force on the Economy. "The general thrust of the proposals" is "right on the mark," says Richard W. Rahn, vice president and chief economist of the Chamber of Commerce of the United States.

However, while Rahn praises the group's call for tax cuts to spur saving and investment, he criticizes the report's lack of specifics.

The 25-senator task force was put together by Majority Leader Robert Byrd (D-W.Va.), ostensibly to produce a response to Republican initiatives. In important respects, however, the end product seems closer to the GOP philosophy than to the Carter administration's.

The strong supply-side current running through the report evokes similar documents released earlier by the Joint Economic Committee, a similarity that may result from the fact that both groups are chaired by Sen. Lloyd Bentsen (D-Tex.) and that five task force members also serve on the JEC. Since 13 of the senators on the task force are not up for re-election this year, their economic views are assured of continuing, strong representation in Congress.

The report calls for a tax cut "to offset the increased burden of taxes that will occur next year." At least half, "and preferably more ... should go for improving productivity," in the form of new incentives for investment and depreciation reform. Fiscal and monetary policy should be closely coordinated, attempts to fine tune the economy should be abandoned, the Federal Reserve should pursue policies "to gradually, but steadily bring the rates of money and credit growth to levels that are consistent with the economy's potential" and the share of federal outlays in the gross national

product should be "gradually reduced."

Although the foregoing recommendations sound very similar to those espoused by Sen. William V. Roth, Jr. (R-Del.), and Rep. Jack Kemp (R-N.Y.), the Republican tax cut proposals are termed "draconian" by the Democratic report. "The Republican tax package will cause the economy to overheat and ignite unprecedented inflation," the task force asserts.

Unfortunately, detailed comparison of the two plans is impossible, because the task force does not present revenue or cost figures for its alternatives.

Other proposals in the task force report that will please business: reduction of federal regulation and paperwork, patent law reform, changes in tax and antitrust laws to facilitate exports, more intensive economic development of federal lands and refundable investment tax credits.

On the minus side, the report calls for a host of new and expanded federal aid programs, without attempting to add up the cost and reconcile it with reduction in the federal share of the GNP. Also, there are hints of plant closing restrictions and encouragement of labor participation in management decisions.

PHOTO: ANDREW SACKS—BLACK STAR



The frost belt's loss is not necessarily the sun belt's gain, a new study finds.

### Plant Closing Curbs May Cause Job Loss

Although attempts to impose government restrictions on plant closings are receiving increasing attention today, the movement may rest on a faulty premise.

Bills to regulate closings have been proposed in Congress and in state legislatures throughout the frost belt. Unions are pushing for such restrictions. And the Carter administration has said the issue will be reviewed by its new Economic Revitalization Board.

Most of this activity rests on a widely held belief that industry is being lured from the high-wage, unionized frost belt to the low-wage, nonunion sun belt. But that isn't the case, say two Federal Reserve Bank of Boston staff members, John S. Hekman and John S. Strong, who examined data on plant closings. They presented their conclusions in the *New England Economic Review*:

- "The frost belt states on average and in most individual cases apparently have a lower rate of job loss than the sun belt states."
- The closing rates for manufactur-



ing plants in the Northeast and North Central areas "are less than or equal to those for the South and West."

- For trade and services, no dramatic differences are evident between the two regions; "if anything, the frost belt has lower closing rates."

The significant difference between the regions is not the rate of plant closing, the authors find, but rather, the rate of plant openings. New businesses are springing up at a faster rate in the South and West than in the Northeast and North Central regions.

Hekman and Strong say laws restricting plant closings could actually be counterproductive, since new firms might be reluctant to locate where their freedom of action is limited.

## **SMALL BUSINESS**

### **Raising Capital Becomes Easier**

Small and medium-sized businesses will have an easier time raising investment funds under the recently enacted Small Business Investment Incentive Act.

The complex legislation amends existing securities laws to make it simpler for small companies to issue stock. It also reduces the regulatory burden on many venture capital companies—companies that provide both money and managerial advice to new or struggling firms.

For instance, the act allows businesses to sell up to \$5 million in securities to institutions and to individual investors who qualify as "sophisticated" under yet-to-be-written Securities and Exchange Commission rules without meeting costly registration requirements of securities laws. The cap on public securities sales under the SEC's simplified offering procedure was raised from \$2 million to \$5 million.

And to make it easier for small business to obtain large loans, the act amends a 41-year-old law to allow smaller companies to raise up to \$10 million of debt capital without meeting detailed qualifications.

### **Higher Interest For Large Firms?**

A federal monetary policy that specifically takes into account the needs of smaller firms is urgently needed, according to a House Committee on Small Business report. The committee says the Federal Reserve Board's policies of money tightening and credit restraint during the past year have been particularly harsh for small business.

The report suggests that the Fed formally institute a dual prime rate. Under this scheme, creditworthy small firms would pay lower rates of interest on loans than larger companies. Banks would make up the difference by charging large firms slightly more for loans.

Larger businesses, the report says, "are better able to cope with higher rates because they have sources of debt and equity capital which are unavailable to the smaller company, such as the stock and bond markets, and the commercial paper market." Small companies depend on bank credit to a greater degree, the report says.

Easier bank loans could help small firms avoid bankruptcy. According to the report, for the year ending June 30 individual business bankruptcies rose 88 percent over the previous year, and most failures involved firms with liabilities of under \$1 million.

### **Government May Have To Pay for Mistakes**

Small business is due to have a new resource in hassles with the federal government.

The Equal Access to Justice Act, expected to be signed by President Carter, allows small firms and individuals to recoup costs if they prevail in court cases with the government or in regulatory proceedings. The legislation gives judges the authority to award attorney's fees and other expenses whether the case is brought by or against the government. The law prohibits fee and expense recovery for a company with more than 500 employees or for the sole owner of a business whose net worth exceeds \$5 million.

The administration, favoring a more limited bill, tried to delay passage of the act. However, the measure sailed through the House as an amendment to legislation reauthorizing the Small Business Administration's minority procurement program.

## **GOVERNMENT**

### **Tax Rules Simplified For Installment Sales**

Despite last-minute snags in the Senate Finance Committee, the installment sales reform bill is on its way to being law. The bill, which is Congress' major tax simplification project for this year, was cleared for President Carter's signature only hours before the election recess.

The bill, supported by the Treasury Department, tax lawyers and accountants, eliminates several onerous requirements that have complicated tax returns for businesses and individuals involved in installment sales. For example, the \$1,000 floor for sales by individuals of personal property and the 30 percent ceiling on payments received in the year of sale—both restricting taxpayers from reporting income as it is received rather than in the year of sale—are removed.

Also eliminated are similar restrictions on installment sales between relatives when the property is not resold within two years. The two-year requirement can now be waived if the taxpayer can show that the principal purpose of the sales was not tax avoidance.

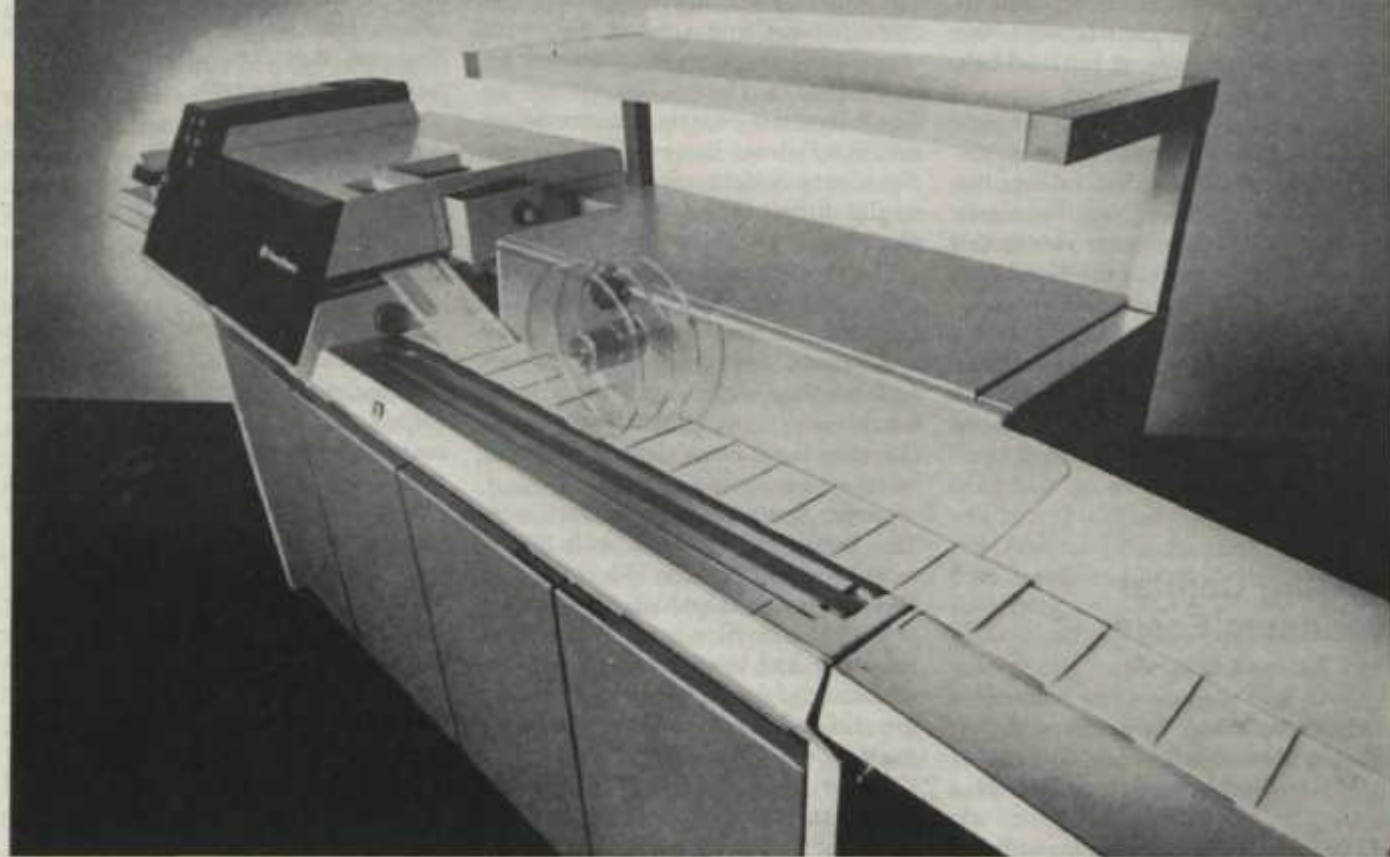
Overall, the reform measure will make it easier to take advantage of tax benefits in deferring income from sales of personal property and real estate.

### **Court Ruling Broadens Concept of Equal Pay**

Hardly anybody would quarrel with the concept of equal pay for equal work, but there's sharp disagreement over a related idea known as equal pay for comparable work. The centerpiece of the debate now is a ruling from a



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federal appeals court (Third Circuit, Philadelphia) that the law prohibits sex-based wage discrimination even when jobs are not identical. The ruling came in a lawsuit by the International Union of Electrical, Radio and Machine Workers against Westinghouse. The union charges that the company has a policy of paying women less than men and has set up discriminatory wage scales based on male and female jobs. A district court had decided that Title VII protection under the Civil Rights Act was limited to equal pay for equal work. The appeals court, however, broadened that to include comparable work.

It sent the case back to the district court to determine whether Westinghouse has "willfully discriminated against women in a way that it could not discriminate against racial minorities" by classifying certain jobs so that only women, who were paid less, performed them.

While the union admits that the jobs in the dispute are not substantially equal, it argues that the method of classifying certain jobs is discriminatory. The Equal Employment Opportunity Commission is studying the issue to determine whether guidelines or regulations are required.

## Name the Tax That You Love To Hate

If there is any such thing as a "fair" tax, U.S. taxpayers still believe state income and sales taxes are fairer than local property taxes and the federal income tax, although both of the former have lost some of their popularity. These conclusions come from an annual survey of public attitudes toward taxes conducted by the Advisory Commission on Government Relations, an independent federal agency involved in federal-state issues.

Responding to the question, "Which is the worst tax, that is, the least fair?", only 10 percent of those polled chose the state income tax, and 19 percent chose the state sales tax. The 1979 figures were 8 percent and 15 percent.

Thirty-six percent named the federal income tax, a sharp increase from 1972, the first time the question was posed, when only 19 percent thought the federal income tax was worst. Twenty-five percent said the local property tax was the least fair, compared to 45 percent in 1972. The commission says that reduced aversion to property taxes is a result of passage of California's Proposition 13 and similar

tax and spending ceilings enacted in other states and localities.

Despite widespread disillusionment with the federal government, it regained its lead as the level of government from which people feel they get the most for their money, the survey shows. Last year, Washington fell behind local government in the "money's worth" rating. The federal gain—to 33 percent in 1980 from 29 percent in 1979—was the local level's loss. Localities dropped to 29 percent from 33. The states stayed at 22 percent.

## Some Pay Deductions May Violate the Law

If you as an employer deduct cash register shortages and other losses from employees' wages, you are in danger of breaking the law, a Labor Department official warns—especially if you pay the employee the minimum wage of \$3.10 an hour.

Donald Elisburg, assistant secretary of labor for employment standards, says the withholding of even one cent of a worker's pay may put the employer in violation of the Fair Labor Standards Act if the worker is paid the minimum wage or just above. "It is illegal for employers to deduct shortages or losses if by doing so the wages fall below the minimum," Elisburg says.

Violations involving illegal deductions occur mostly at service businesses such as stores, gasoline stations and restaurants, Elisburg says. Deductions also may not cut into overtime pay.

## AGRIBUSINESS

### Gross Is Up, but Net Is Down for Farmers

Food prices are going to increase, but the farmer hasn't done all that well in 1980, says the Department of Agriculture.

Although the exact figures won't be tallied until mid-1981, net cash income for farmers is forecast to be 10 to 12 percent below that posted in 1979 because of rising expenses.

The USDA estimates total cash receipts of more than \$142 billion, up from \$136 billion in 1979, but cash expenses are expected to be \$10 billion more than last year's.

Net farm income also is tumbling. Farmers realized about \$32 billion in 1979. Howard J. Hjort, chief economist for the USDA, paints a rather gloomy picture for 1980—net farm income be-

tween \$24 billion and \$26 billion.

While this drop is dramatic in itself, Hjort points out that it is not truly indicative of the farmers' economic situation. The net income calculation includes depreciation and changes in the value of dwellings and crop and livestock inventories, but does not "reflect producers' cash flow, which is especially critical in times of rapidly rising input costs."

To get a better handle on the situation, the USDA's Economics, Statistics and Cooperative Service is starting to report income estimates by size of farm, by state and by various income measures, including a cash flow analysis. USDA reports, Hjort says, also will present performance measurements such as the farm sector's productivity and rate of return on investment.

## PERSONAL

### Ask for Coal in Your Christmas Stocking

Ready to go back to the coal bucket? Consider anthracite coal, if you have a stove built for that kind of fuel, says Franco Belge Foundries of America, Inc., New York, an importer of wood and coal stoves.

The company makes these points in

PHOTO: LOUIS C. WILLIAMS



Coal may be the cheapest fuel for that old potbellied stove.

favor of coal: A ton of anthracite costs about \$90, provides 26 million British thermal units (Btus) of heat and needs 40 cubic feet of storage space. A cord of hardwood is priced between \$100 and \$200, delivers 20 million Btus and measures 128 cubic feet.



## Annual Physical Exam To Be Examined

The value of a routine annual physical examination is being questioned by many medical authorities. So far, however, there is no consensus on exactly how often such procedures should be performed, or what to include when they are.

A major "life-cycle" study planned by INSURE (Industry Network for Social, Urban and Rural Efforts) will try to answer such questions.

INSURE is a New York-based non-profit organization whose board includes members of the Advisory Council on Education for Health and executives of life and health insurance companies. The study is being funded by nine major insurance companies.

The study, which will run for three to six years, will involve 20,000 people of all ages and the medical professionals who care for them. Its objective is "to develop a definite schedule ... of age-related, sex-related procedures and visits which ... [are] a cost-effective and health-effective approach to preventive medicine," says Anne R. Somers, a professor at the Rutgers Medical School and vice president of INSURE.

## INTERNATIONAL

### U.S. Economy Looks Better From Europe

Foreign executives don't share the intense concern of their American counterparts over the impact of inflation on the U.S. economy, according to a survey by Egon Zehnder International, an executive search firm.

More surprising, the survey—which covered senior executives of major foreign companies who either export to or manufacture in the U.S.—shows that even if the U.S. inflation rate doubles in 1981 and the value of the dollar erodes by as much as one third, these executives would increase their investments here. And two thirds of the executives say they do not think it would make any difference which political party directs U.S. government efforts to control inflation.

One explanation for this attitude comes from the general manager of a U.S. subsidiary of one of Europe's largest banks, who says, "The basic trend to invest in the U.S. is quite independent from the exchange rate. ... Let's face it, the U.S. is a couple of thousand

miles further from the divisions of the Red Army than Frankfurt, or even London."

The chief executive officer of a German manufacturing concern says, "By now, Americans should understand that, even in countries with high inflation rates, like Brazil, there are tremendous opportunities to make a profit. In a country where business acumen and profitability are still praised, why haven't they come to this simple realization?"

## TECHNOLOGY

### Nine-Digit Zip Codes Face Mixed Reception

Are you ready for the nine-digit zip codes?

The new codes will be distributed in February. Their use will be voluntary. A separate mailing code will be issued for each carrier's route, for large office or apartment buildings and for businesses that deal in large volumes of mail. The existing five-digit zip code will remain intact, but will be followed by a hyphen and four additional numbers.

Swiss Colony, Inc., Monroe, Wis., is among the many American firms which could be heavily affected, since one third of its sales comes from mail orders. Says Charlie Lee, director of marketing and mail order advertising for the food distributor: "We concluded that data processing will probably hate it; we in marketing will probably love it."

Not everyone is being so conciliatory, however. "It would be the worst

thing since Mount St. Helens erupted," Ray Geiger, editor of the *Farmers' Almanac*, told the House Subcommittee on Government Information and Individual Rights.

The Postal Service insists that the \$900 million plan will help stabilize postage rates.

### Next: Typewriters That Listen to You

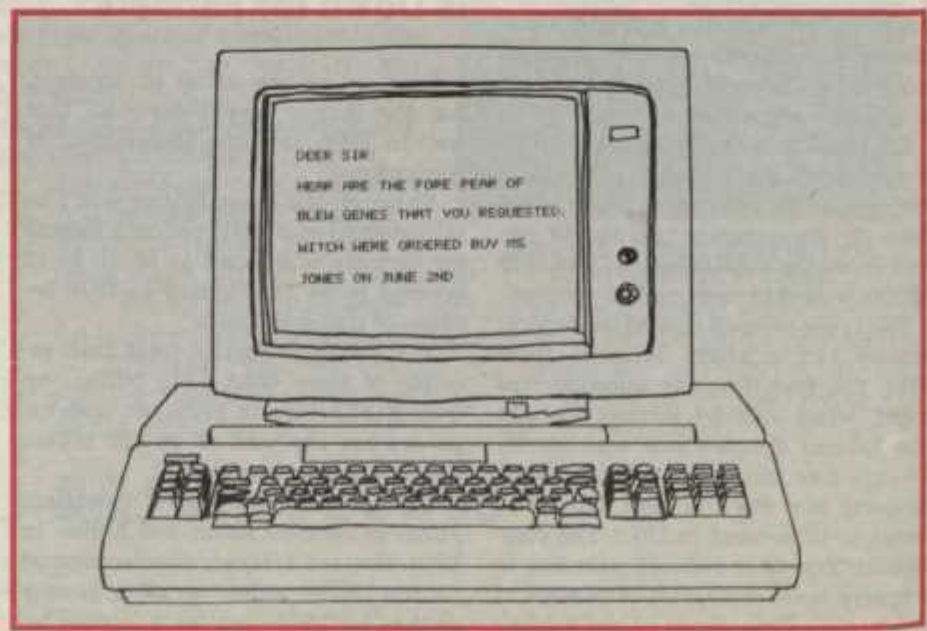
Executives may be talking to typewriters—and getting a written response—as early as 1983.

The first commercial voice-activated typewriters, known as VATs, will be expensive, about \$25,000, but the time saving will be significant and the price will drop sharply by the end of the decade, predicts International Resource Development, Inc., Norwalk, Conn.

The initial VATs, benefiting from faster-than-expected technical advances, will come from IBM, Xerox and Matsushita, IRD says. They will correctly recognize about 95 percent of "typical" business English as spoken by the average executive. Each VAT will be equipped with a screen which will display the words as they are spoken. The executive or a secretary will then type in words which the machine failed to recognize.

As a result of VATs and other advances in office automation, the secretarial job will become more administrative.

Besides changing the office environment in the 1980s, voice recognition machines have applications at home. IRD's Celesta Hynes says voice-recognizing TV channel tuners and auto ignition locks are imminent. □







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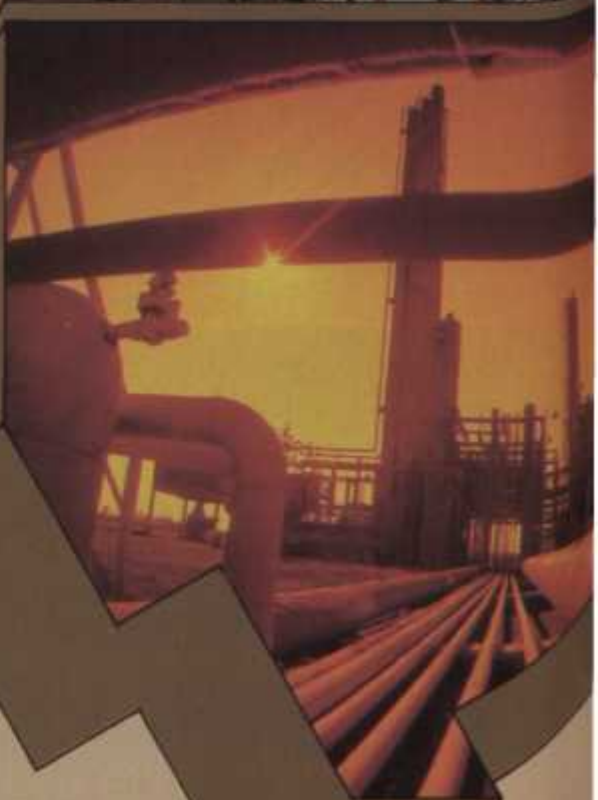


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# LET'S REBUILD,





# AMERICA!

By Vernon Louviere

**A**MERICA. Breadbasket of the world. Henry Ford and Thomas Edison. Fulton and the steamboat. Hoover Dam. Conquest of space. Splitting the atom. Computers. Empire State Building. McCormack reaper.

The greatness that once was an American exclusive has started to slip. The technological giant is wobbly. Foreigners, some unfriendly, determine in what volume and at what price the oil on which we are so critically dependent will continue to flow. More and more of us question whether we have the military muscle—and the will—to protect vital national interests. We no longer are the dominant force in world affairs.

In short, America is at a crossroads.

Words like reindustrialization and revitalization whip back and forth as we grasp for solutions. Productivity is slipping. Imports are grabbing off larger shares of markets once dominated by U.S. manufacturers. Research and development, which has underpinned our industrial might, is falling off. Government regulation hangs like a millstone around the neck of American

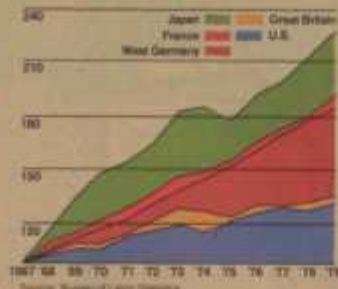


PHOTOS (CLOCKWISE FROM TOP LEFT): LEO BALTERMANN—ALPHA; TIM CARROLL—EPA; JAMES H. GREEN—EPA; GEORGE KUPON—ALPHA; SHERRY WILCOX—PHOTODISC; TOM TRACY—EPA

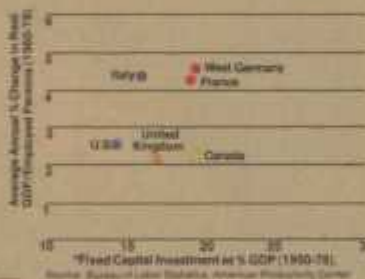


### Productivity Lags

Output per Worker-Hour  
in Manufacturing  
(1967=100)



### Investment Spurs Productivity\*



### Trade Deficit Zooms

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business. Can America be restored to greatness? Yes, say those who have not lost faith in America's resiliency, in her capacity to meet challenge. Some of the solutions lie in renewed confidence in American business, solutions which call for unshackling the economic and industrial machine whose potential has not yet been realized. But these also are solutions which call for rethinking old problems, and for business, unions and particularly government to adjust to a changing world.

**D**ESPITE the magnitude of the problems, ours is not a nation of defeatists. A fight-back attitude is developing. Business leaders are becoming rallying points for determined action to turn the country around. They are becoming political activists, aware that the required changes cannot take place in an environment distrustful of business and the profit motive.

A major campaign has been launched by the Chamber of Commerce of the United States, using as its theme, "Let's Rebuild, America." Chamber Chairman C. William Verity, Jr., who also is chairman of Armco Inc., says America must:

- Remove the cancer of inflation by cutting government spending, reducing taxes, increasing productivity and fully utilizing our rich natural resource base.
- Regain international leadership by aggressively trading in world markets and increasing U.S. military readiness.
- Rekindle people's confidence in their institutions—family, church, school, community. And reassert the individual and business role in the political process.

Verity says these challenges can be met if we:

- Rebuild the economic base of the nation by taking a number of decisive steps, such as changing corporate tax rates and depreciation guidelines, balancing the federal budget, providing additional incentives for innovation and further encouraging personal saving and investing.
- Return to the Yankee Trader of old by increasing the size and breadth of export programs, clarifying anti-trust laws, removing export disincentives and giving the green light to export trading companies.
- Tell our elected officials where we stand and make sure that they are specific about their positions on the issues. Also, select and elect people who



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understand the pressing nature of the need to rebuild America.

"We can't afford the luxury of blaming others for our plight," Verity tells business audiences. "It is not 'them' who are to blame—it is us."

Why is the American industrial giant starting to limp? There is blame enough to go around. Business, the unions, government—all have contributed. Business has focused more on short-range planning than long-term strategy, causing the loss of markets both here and abroad. The demands of some labor unions have caused many industries to lose their competitive edge. Tax laws, monetary policies and regulations have a stranglehold on economic growth.

America looks with envy at the growing industrial prowess of Japan and West Germany. In comparison, these two countries are not saddled with high inflation and high unemployment. Their steel, automobiles and other products pour into the United States. Their productivity goes up and ours falls. Their plants and equipment are more modern, better geared to grapple with competition around the world.

In the world trade arena, the U.S. enters the ring like a boxer with one hand tied behind his back. While the Japanese and German governments actively help business, the United States has a smothering system of tax laws and regulations that discourage exporting.

For example, antitrust laws put American exporters at a disadvantage in competition with foreigners. Most nations encourage—even require—their exporting firms to combine and make a common effort to win foreign contracts. U.S. laws, on the other hand, inhibit and prohibit American businesses from working together.

Verity points out that the U.S. is the only major trading nation in the world to subject the earned income of its citizens abroad to domestic income taxes. The Chamber chairman also takes issue with such laws as the Foreign Corrupt Practices Act and the Anti-Boycott Amendment. Both, he says, are examples of the "self-defeating and self-abusive" attempts by the federal

government to use exports as an instrument of foreign policy.

It is Verity's contention that the U.S. must recapture its role as Yankee Trader, which helped launch the young republic on the road to greatness. Congress, he says, should enact the National Export Policy Act, which would provide a much-needed major overhaul of U.S. trade policy. Among other things, the act would remove present export disincentives, increase the size and breadth of export financing programs, redirect the efforts of

this way: "Most Americans are caught up in the 'Marshall Plan mentality.' They still believe that the U.S. is the predominant economic power in the world and do not understand that we have been all too successful in nurturing the economic strength of our friendly competitors—the other industrialized democracies. There is also a corollary tendency to think 'little American' and to seek to protect what we have, to keep our goods and our jobs at home."

U.S. Trade Representative Reubin

Askew agrees that the government should remove roadblocks to exports, but he warns: "We must do a better job of designing goods specifically for foreign markets and work harder to sell those goods in those markets."

Almost every examination of the industrial slowdown which the U.S. is experiencing can be traced to the twin problems of inflation and productivity.

The Joint Economic Committee of Congress concludes: "Sluggish productivity growth is the most important factor contributing to our economic malaise."

William S. Sneath, chairman of the board of Union Carbide Corporation, puts it even more strongly: "As the nation becomes poorer, confidence in our ability to cope with social problems and to have access to energy supplies will be seriously undermined."

The statistics are sobering. Between 1950 and 1979, Japan increased manufacturing productivity by 974 percent, West Germany by 392 percent. The U.S. registered a mere 98 percent increase. Last year, U.S. productivity actually dropped 1 percent.

If the productivity outlook is to brighten, the Chamber plan suggests, Congress must enact in some form the Capital Cost Recovery Act of 1979—the 10-5-3 bill as it has come to be known—and should increase the 10 percent investment tax credit.

"Our strength is our technology," Verity says. "But putting new technology to work requires heavy injections of new capital, and that need is going unmet."

Verity points to his own industry—

PHOTO: KAY CHERMUSH



Will America gear up for a return to its former greatness?

government to help, rather than hinder, small and medium-sized businesses, and, most important, allow the creation of trading companies so that exporters can aggressively and competitively pursue business abroad.

One statistic serves to illustrate the importance of boosting our foreign trade: Each additional \$1 billion a year in exports creates an additional 40,000 jobs.

Part of the problem, Georgetown University's Center for Strategic and International Studies says, is of our own making: "We still suffer from lingering traces of the 'monopoly mentality' of the post-World War II period when the U.S. was virtually the only source of supply for many items."

Verity defines the same problem in



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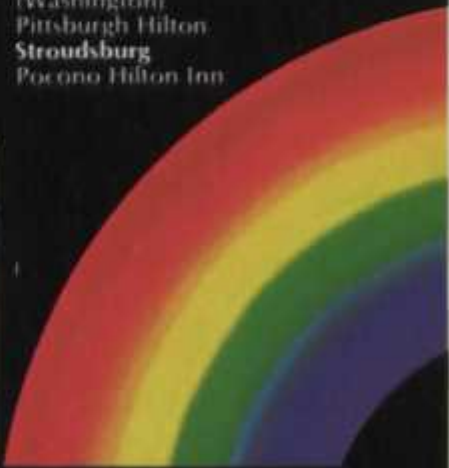
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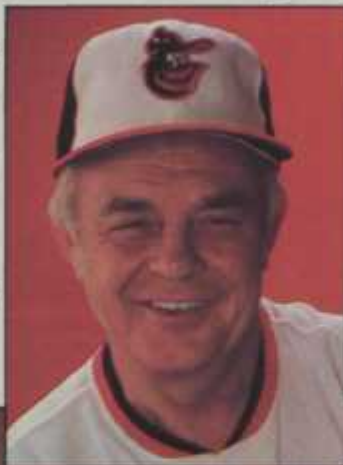


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—Earl Weaver





the steel industry—to illustrate the way in which tax and depreciation laws stifle capital investment. Only 11 percent of the steel made in the U.S. is produced by continuous casting, the process which turns molten steel directly into semifinished products. Japan produces 50 percent of its steel by continuous casting and West Germany, 40 percent. If American steel-makers had the capital to modernize and match that production they would be able to save the energy equivalent of 34 million barrels of oil a year—worth about \$800 million at current OPEC prices. Also, this would add jobs as well as step up productivity and increase steel output by 14 percent.

Another side of the productivity coin is viewed by futurist Geoffrey N. Calvert in a special study for Alexander & Alexander, Inc., New York-based international insurance brokers:

"Productivity and prosperity go hand in hand," he says. "With poor productivity, life can become barren and dreary."

**T**HE ROLE of labor must, of course, be considered in any discussion of productivity. Two distressed American industries—automobiles and steel—pay among the highest wages and benefits enjoyed by union employees in this country. Facing a similar problem, the British government, struggling to regenerate Britain's industry, is toying with a plan to force employers to withhold pay increases unrelated to productivity.

The stagnation of productivity cannot be blamed on the American worker alone, however, nor can it be blamed on business, which is handicapped by shortages of capital so essential to modernizing plants and equipment. Government must bear much of the blame because of policies that inhibit investment.

Business spending on plants and equipment in the quarter century prior to 1973 increased this country's capital base about 3 percent a year. Since then, the increase has been only 1.75 percent annually.

Another comparison with Germany and Japan is illuminating. In 1950, the output of seven Japanese or three German workers was required to match that of a single American worker. Today, only two Japanese or slightly more than one German match the productivity of one American.

A report by the General Accounting Office, an independent arm of Congress, indicates the grim consequences

## The "Visionless" Long-Range Company Plan

"Because a company has a long-range plan doesn't mean it knows where it is going," says Benjamin B. Tregoe, chairman of Kepner-Tregoe Strategy Group, Inc., a Princeton, N.J., consulting firm.

"A lot of companies in the U.S. are deluding themselves."

He says many U.S. companies get in trouble because they have not developed a vision of the future. He considers most long-range plans that now guide business "visionless"—actually one-year plans that measure performance against the previous year.

"I don't know of a single company that will say to a manager, 'You will not get a bonus this year because five years ago you said we would be here and we are not,'" Tregoe says. "Everybody who contributes to the plan knows that it can be revised after the next year's

planning cycle, so it is basically a short-range plan."

American business should shift to strategic thinking, he says. Strategic thinking, which is just catching on here, has been thriving for years in Japan and West Germany. "These countries have had to think in terms of world markets and where to put their resources in order to survive," Tregoe says.

Tregoe says U.S. industry generally has been hurt by failing to think in terms of international markets.

"If you stop and think about it, there are very few examples of any products made in the U.S. that are really designed for world markets," he points out. "Our mentality has been to produce for our own markets and if we sell a product somewhere else, fine. The Japanese don't think that way."

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## Workers: Eager for Responsibility

Is the work ethic dead in America?

"Bull!" says Rene C. McPherson, outgoing chairman of the Dana Corporation and new dean of the Graduate School of Business at Stanford University. "People don't change. It doesn't matter if someone was born in the depression or 40 years after it, you still have to treat them like people, not a machine."

Recent national surveys conducted for the Conference Board and the U.S. Chamber of Commerce tend to confirm McPherson's assertion. Both surveys found American workers highly motivated and eager to do a good job. There is some impressive evidence in support of the consultants' new cry, "Redesign the job, not the person."

- Matsushita, best known in the U.S. by the Panasonic brand name, took over the Chicago-area production facilities of Quasar television sets in 1974. Through attrition, the new owners reduced drastically the number of support and managerial personnel. They also introduced a modified version of Japanese-style management consultation with production-line workers. Within three years, production doubled, defects dropped from 150 per 100 sets to four and warranty costs were slashed.

- Volkswagen Rabbits built in Pennsylvania by United Auto Workers members have fewer defects than those made in Germany. Why? "We emphasize quality control," says a spokesman for Volkswagen of America.

- Citibank, New York, changed functionally oriented assembly-line clerical jobs into customer-service-

oriented work stations. The new jobs were such a hit with employees that the bank was able to fill them with college graduates. The much higher productivity of the more skilled employees more than offset their higher salaries.

No one maintains that all foreign personnel practices can be successfully transplanted here without modification. But some of the best techniques, especially those used by the Japanese, seem highly compatible with such American traits as independence and self-reliance.

The image of the Japanese worker as an obedient robot is false, says John Naisbitt, senior vice president of the survey firm of Yankelovich, Skelly & White, New York. Japanese workers, he says, "are given enormous freedom both to plan and execute their work and to solve problems alone without help or interference from their managers."

Naisbitt and others think the American worker may be getting too much management.

For example, a study of the banking industry conducted by Hendrick & Company, a Waltham, Mass., firm specializing in corporate reorganization, concluded that the number of bank managers could be reduced 44 percent, cutting out one to three levels of management.

Stanford's McPherson says many American organizations suffer from too many layers of management. "The oldest and one of the largest organizations on earth is the Roman Catholic Church," he says, "and it has only four layers between the parishioner and the Pope."

of inadequate capital investment for modernizing rundown manufacturing facilities. The average piece of equipment in the machine tool industry is 20 years old. The average open-hearth furnace is 33 years old. For the entire steel industry, the average equipment age is 17 years. And there are some steel-rolling mills in this country still powered by steam.

American industrialists are virtually unanimous in declaring that what they need to lift them from their current economic doldrums are not government subsidies, but government

understanding and cooperation. Nowhere is that need more critical than in the area of capital formation and government regulation.

Richard F. Schubert, vice chairman of Bethlehem Steel Corporation, calls for a broad-gauge private sector study of government policies.

"Our basic aim shouldn't be increased intervention by our own government," he says, "but rather healthful changes in the areas of legislation, regulation and taxation that could and would bolster our ability to cope with the growing power of foreign



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competitors." He says Washington has been "attuned to a quality-of-life cadence, while we in industry have been struggling to revive a flagging economy. There's little hope of reaching lasting accommodations when the two parties have disparate and often totally incompatible goals in mind."

The mishandling of government regulation is perhaps most evident in the innumerable and costly programs that cluster under the umbrella of environmental protection. The complaint of business is not that the government doesn't have a role to play, but the manner in which environmental laws are structured and administered.

According to Morton M. Winston, president and chief executive officer of Tosco Corporation, an energy company headquartered in Los Angeles, there are repeated instances of Congress and state legislatures changing the rules in midstream. He cites the case in California where state regulators issued new rules specifying the maximum sulfur content of oil being processed in refineries. Several companies made huge investments, including building new plants, to comply. Then the state changed the rules, forcing some of the

companies to start all over. "The result of all this is that many companies, no matter how great the need, are going to think twice before they invest in new facilities," Winston says. "Who can take the risk that the government will change its mind after a billion dollars has been invested in good faith? These things make for instant economic disaster."

The congressional Joint Economic Committee has noted: "The greater the burden placed on production, the less production there will be. Reducing tax and regulatory burdens may encourage the supply of labor, capital and output."

**R**OBERT F. DEE, chairman of the board of the SmithKline Corporation, says of the impact of all this: "Industry must spend huge chunks of its research and development funds to cope with government regulations. What remains after those expenditures simply isn't enough to keep U.S. industry competitive with industry in other industrialized countries. Nor is it enough to greatly improve productivity at home."

Bethlehem Steel several years ago

spent about \$10 million on a new emission control system to remove dust in one of its steel plants. That was to comply with requirements of the Pennsylvania Department of Environmental Resources. Now the federal Environmental Protection Agency says that was not enough, and it wants the steel-maker to spend another \$10 million to reduce the plant dust even more.

By 1982, when the steel industry is scheduled to meet all current federal air and water pollution standards, it will have spent \$11 billion since the early 1950s—nine times what the entire industry earned in 1979.

"I think this great nation might be able to scrape by, and even survive, with just a little less protection," Verity says.

In order to eliminate regulatory waste and confusion, the Chamber blueprint calls for indefinite freezing of all regulatory budgets, granting industry greater latitude in deciding how to comply with what government insists must be done and giving Congress the right to veto unnecessary regulations. Also, business wants Congress to force government regulators to conduct cost-benefit analyses to determine whether benefits of regulation actually justify their costs.

Reducing the expense generated by overregulation would free profits that are needed to recharge research and development activities, business leaders argue with conviction. Why? Because technological innovation, so much a part of the American success story, is starting to slip to what some consider dangerous levels. Without innovation, productivity growth is unlikely. Expenditures on research and development have plummeted steadily in the last decade. Federal funding to support basic research has dropped 45 percent, and in private industry such funding has declined 12 percent. In both Japan and West Germany, funding of basic research has been on the rise.

Many business leaders warn that the United States cannot regain its share of the world market unless it is willing to spend more on research and development. One way this can be achieved, they say, is for Congress to approve a tax credit enabling business to set aside a larger share of its income for R&D purposes. Such legislation, providing for a 25 percent credit on all increased R&D expenditures over a three-year base period, is now before Congress.

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In today's business arena, national boundaries are becoming almost invisible. So much so that, if your company is dynamic and growing, your first involvement abroad is almost inevitable.

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## IF YOUR BUSINESS GOES OVERSEAS, WILL YOU HAVE TO KISS YOUR INSURANCE COMPANY GOODBYE?

services. Some lack all of these. In short, it's very possible that when you do make the decision to do some business abroad, one thing you'll be leaving behind is your insurance company.

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provide greater incentives for R&D spending," says Gerald G. Probst, president and chief executive officer of the Sperry Corporation.

A survey for Sperry by Yankelovich, Skelly & White, Inc., of 101 top corporate executives in 20 industries with a high commitment to technological innovation showed a majority agreed with Probst. However, 79 percent rejected support through direct government subsidies. Instead, they favored improvements in the educational system and greater funding of university research. Also, they called for relaxation of antitrust laws to allow cooperative research on specific industry problems.

"If we neglect the basic research endeavor, we are in grave danger of a collapse of our technology-based society," says Leon M. Lederman, director of the Fermi National Accelerator Laboratory near Chicago.

In aggregate, U.S. research and development spending has been on a 13-year slide. For example, Lederman says, spending for high-energy physics has declined about 30 percent in those 13 years. Meanwhile, in Western Europe, with roughly the same gross national product and population base as the U.S., high-energy physics enjoys a support twice that in the U.S.

Nor can we neglect to make better use of our greatest resource—the Americans.

David O. Nellesmann, managing director of industry competence programs for Arthur Andersen & Company, suggests we study Japanese manufacturing techniques and adapt them to improve our industrial output. "Americans," he says, "must realize that Japanese manufacturers today are beating their U.S. counterparts over the head with a borrowed club—one we handed them a quarter-century ago when we freely exported our production technology. Now is the time to do some borrowing of our own."

More and more industrialists are realizing that if workers are part of the problem of declining productivity, they also are part of the solution.

General Motors, Northrop, International Harvester, American Airlines, Eastman Kodak, IBM, Levi Strauss, 3M and Procter & Gamble are some major firms using the worker participation approach.

For example, the GM plant at Tarrytown, N.Y., instituted a "quality-of-work-life" program about six years ago in which union members were invited to suggest innovations and other job-

related improvements. As a result, outstanding grievances against management dropped from 2,000 then to 32 now, and absenteeism fell from 7.25 percent to 2.5 percent.

"The man or woman on the line remains the best and most flexible source of productivity improvements," Walter A. Fallon, chairman of the board and chief executive officer of Eastman Kodak, says.

In the last three years, while Eastman Kodak's sales increased by 30 percent, the work-force level remained the same.

"You can't drive a good work force 30 percent harder," Fallon says. "But we found we could often work 30 percent smarter."

**L**OOKING ahead into the '80s, the problems which threaten to topple the American industrial giant will be enormous and complex, but they will not be insurmountable if we all work smarter and create a climate that will allow business to thrive and prosper. This can be achieved by passage of favorable tax laws, with incentives for savings and investments; by increasing our ability to excel in world

markets; by bringing workers more into the decision-making process; by reducing government spending; by removing the shackles of overregulation, and by electing men and women who believe in the free enterprise system.

Business involvement in legislative action is imperative if these goals are to be met, Verity says. Helping elect pro-business candidates to public office is only part of the battle. Business people are urged to remain politically active to assure that legislation which contributes to a sound, vibrant economy be enacted and conversely, they are urged to be alert to any legislation that threatens to weaken the American enterprise system.

Across the nation there is a growing chorus of voices saying in effect—"Let's Rebuild, America!" The signs are unmistakable that Americans want to take the offensive.

"We have been on the defensive too long. We have reacted, rather than led," sums up Verity. "We must go on the offensive with positive programs—positive programs aimed directly at solving the major problems of America. We must turn our country around." □

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PHOTO: DAVID FALCONER—LENSMAN



Biomass fuels are often cost-effective now.

PHOTO: THE IMAGE BANK



Wind energy may soon supplement fossil fuels in a number of regions.

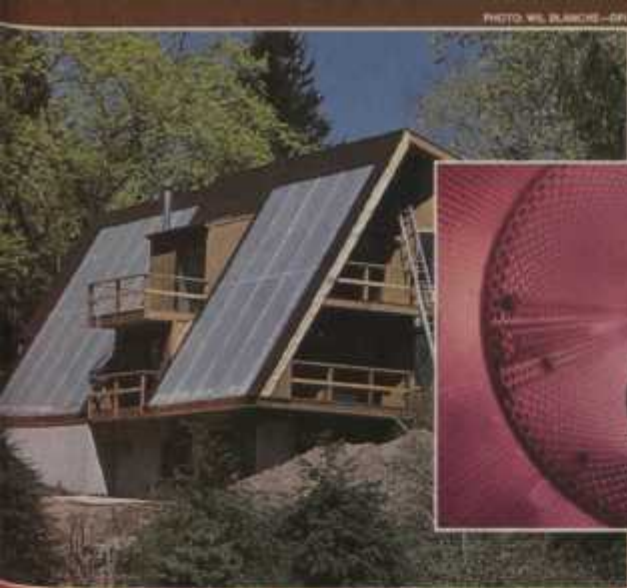
PHOTO: WILLIAM HARRIS—LENSMAN



Solar cells are standard equipment in spacecraft.







A solar home goes up in Connecticut.

PHOTO: WIL BLANCHÉ—GPI



A silicon cell (the disc) is baked in processing.

PHOTO: WILLIAM WARREN—LENSMAN

TO ITS PROPONENTS, it is a vastly underutilized resource, not unlike America's immense coal reserves. To skeptics, it is a resource for which far-too-zealous claims are made, claims which could be harmful because they could lead the nation in the wrong direction.

At issue is solar power, which has the potential to meet an increasing share of U.S. energy needs. The big questions are: How much and how soon? The answers vary from less than 10 percent to more than 50 by the year 2000, depending upon who is making the guesstimates—as well as how solar is defined.

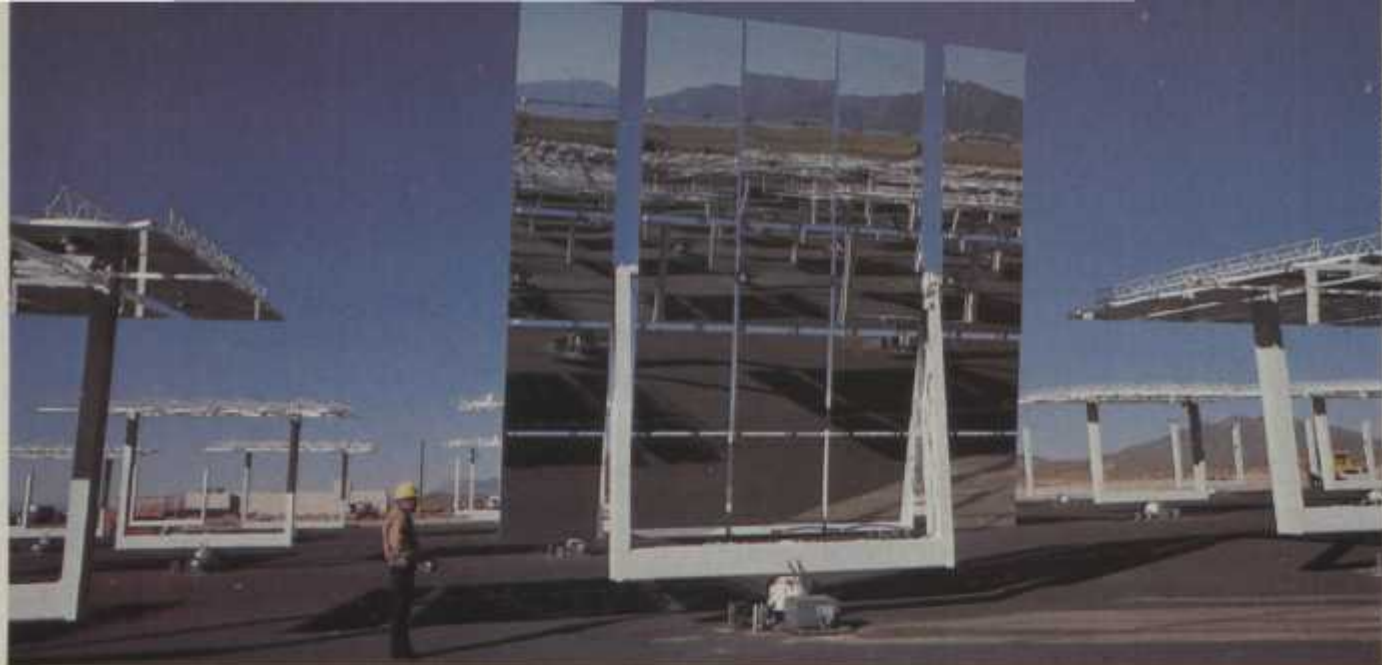
The cause of much of the confusion lies in that definition. Solar includes technologies such as photovoltaics, in which sunlight is converted directly into electricity, and solar thermal, in which the

By Tony Velocci

# How Bright Is Sunpower's Future?

PHOTO: JAMES BARR—PHOTOGRAPH





Different combinations of motorized mirrors, or heliostats, are being tested as a means of harnessing the sun's rays.

sun's rays are used to heat water. But as defined by most experts, solar also includes a variety of energy forms including windpower, hydropower and biomass (plant matter). The reason for lumping them under the solar umbrella is that the sun drives the evaporation cycle which brings the rain; it is the source of moderating temperatures which give us wind, and it causes gardens, fields and forests to grow, providing combustible materials.

**S**OLAR HAS COME a long way in a relatively few years, and there is every indication that its growth in the years immediately ahead is likely to be even more dramatic than it was in the 1970s. "The precise date when the various solar energy goals are met is really secondary," says Thomas Stelson, assistant secretary for conservation and solar energy at the Department of Energy. "The bottom line is that all Americans are going to find themselves increasingly involved with solar energy in one way or another, and the sooner they learn about the renewable energy resources, the easier the transition will be for the whole country."

Photovoltaics, still in the research and development stage, is years away as a cost-efficient energy supplement. But other forms of solar, such as hydro, are in wide use today.

Collectively, these renewable energy resources contribute about 6 percent to the nation's energy supply. Most of it is in the form of hydro, biomass and passive solar designs in buildings.

Electricity produced directly from the sun is still expensive, though the

expense has been dropping dramatically. The cost of solar-cell electricity is down from about \$50 a peak watt—output per cell under optimum conditions—in 1975 to less than \$10 commercially today.

This is still too high to compete with oil-generated power, but it does suggest that solar in all of its forms appears destined to play a major role in the overall U.S. energy mix by the end of the century. "Advances are happening much faster than we ever expected," says J. Richard Burke, deputy program manager for photovoltaics at the Solar Energy Research Institute (SERI), Golden, Colo.

No less significant is the range of interests which are getting involved in solar research, development and demonstration programs. They include, among others, utilities which are considering harnessing the sun's rays to help them meet peak load demands during daylight hours. "Before long the use of solar to displace gas and oil should start showing up in the long-range plans of Southwestern utilities," says Lawrence Papay, vice president of advanced engineering for Southern California Edison Company.

Shadowing the growth of the solar market is the oil industry, whose involvement has increased to the point where three major firms—Shell, Exxon and Atlantic Richfield—are producing solar devices and others are conducting research in solar energy. But the involvement is being received with mixed feelings. The biggest fear is that oil firms will inhibit competition. "The other side is that they are a source of big money, and solar needs

all the financial backing it can get," says Richard Munson, coordinator for the Solar Lobby and the Center for Renewable Resources, Washington.

Perhaps the most graphic indication of solar's outlook is the progress to date of the industries that produce photovoltaic, solar thermal and windpower equipment. In 1973, when the Arab oil embargo set Americans to thinking seriously about new energy sources, these industries were virtually nonexistent. Now, 245 firms are in a Department of Energy listing of manufacturers of photovoltaic and solar thermal collectors.

In the mid-1970s, the industries were banking on federal incentives to increase their sales from \$150 million to about \$800 million by 1980. The industries will be lucky if sales top \$275 million by the end of this year. Nevertheless, that will represent a 20 to 25 percent growth over 1979. "The industries are still maturing," says Paul W. Cronin, president of the Solar Energy Industries Association. "By 1985, sales will top \$1 billion."

**A** POSSIBLE explanation of why the industries fell short of their 1980 goal is that they are tied closely to the building industry. When home builders pull out of their devastating slump, there is likely to be a similar upturn in the commercial markets already established for solar—residential water heating, pool heating, new solar homes and, to a lesser extent, residential space heating.

The construction slump aside, there is enough widespread activity in the solar field to lead many energy ana-



**Some insist coal is good. Some insist coal is bad.**

**We insist it's not that black or white.**

Those who insist that coal is good point out that we have over 200 billion tons of economically recoverable coal in this country — enough to last us for at least three centuries at current consumption rates.

And, they further point out, that

although this represents 90% of our domestic energy resources, coal currently supplies less than 20% of all our energy production.

It's true, that with greater usage, coal could give us as much as one-half of the new energy we'll need between now and the year 2000 — enough to help loosen the dangerous ties that bind us to expensive and insecure foreign oil.

But those who insist that coal is bad point to abandoned mines which scar the landscape and allow acid water to seep into streams.

And to the fact that coal contains ash and sulfur which, if not removed, can pollute the air when burned.

Still, we believe that these days the advantages of coal outweigh its disadvantages.

Because these days we have extremely tough environmental laws.

Laws that require the restoration of mined lands and the protection of air and water resources. Laws that ensure that coal mine areas are properly restored and that newly constructed or converted power plants remove sulfur and particulates from their stack gases.

Of course, environmental controls are expensive. But because of the current high

price of foreign oil, the cost of using coal is still less than half the cost of using oil.

And when we consider that coal can also be converted into transportation fuels such as gasoline and diesel fuel — reducing even more our dependence on foreign oil — it seems obvious that we ought to reassess our old prejudices against this most abundant of all fossil fuels.

At least Atlantic Richfield thinks so.

**There are no easy answers.**





lysts to predict that President Carter's goal for solar to supply 20 percent of the nation's energy needs by the year 2000 may actually be surpassed. Required, they add, is a national commitment to fully commercialize solar systems now available and to spur development of solar technologies. A good case can be made that the federal government has done that.

Comprehensive legislation coming out of Congress these days routinely includes funding for renewable energy resources. In fact, the federal solar budget has gone from a paltry \$2 million in 1972 to nearly \$1 billion for fiscal 1981. Moreover, SERI, established by an act of Congress, is accelerating all phases of solar's development, including the job of introducing new systems and new materials to the marketplace.

Where do the various solar technologies now stand?

**B**IOMASS, the burning of combustibles such as wood, is supposed to contribute 5 percent, although the Office of Technology Assessment predicts that biomass will actually expand to at least twice that. It already provides about 2 percent of the nation's energy needs.

Where biomass fuel is abundant, such as in the Northeast, it is often cheaper to use than oil. For example, power costs dropped from 3 cents per kilowatt hour to 2 cents when Burlington, Vt., converted its 10-megawatt coal boiler to wood in 1977. "It is already cost-effective," says plant superintendent Thomas Carr. The forest products industry, a longtime user of wood wastes, is already about 50 percent energy self-sufficient.

According to Arthur D. Little, Inc., a Cambridge, Mass., research and consulting firm, the greatest application of biomass will continue to be in industrial applications, where use of biomass fuel has increased between 2 and 3 percent annually since 1973.

Hydropower, another form of solar energy that is in widespread use, currently provides about 4 percent of the nation's energy needs—and about 6 percent of the world's. Of nearly 50,000 existing dams over 25 feet high in the U.S., only 800 or so are licensed to produce power. The Army Corps of Engineers estimates that 54 million kilowatt hours—roughly equal to the amount of power being produced by America's 74 nuclear generating stations—could be harnessed simply by installing turbines at dams that al-



Solar energy is a heat source for this office building in Albuquerque, N.M.

ready exist. The goal is for hydropower to provide 10 percent of the nation's energy requirements by the year 2000.

"One of the most promising near-term options for the direct conversion of solar energy into electricity." That is how Arthur D. Little, Inc., describes wind energy, which is being considered by some utilities as a power supplement to high-cost fuels. The Department of Energy hopes that by the year 2000 wind will provide up to 5 percent of the nation's energy supply.

DOE is conducting tests of prototype wind turbine generators at various utilities throughout the U.S. One being built in the state of Washington will have a 300-foot-diameter blade—largest to date—and produce 2,500 kilowatts of power under optimum wind conditions. Larger units are on the drawing board. (The average home requires between four and eight kilowatts per day.)

Irwin Vas, SERI's program manager

for wind energy systems, estimates that between 20,000 and 40,000 large machines, plus 150,000 smaller ones, will be needed to meet DOE's goal. "That's not unrealistic when you consider that between 1880 and 1935 some 6.5 million were built and sold in this country," he says. Currently, some 150,000 dot the American landscape.

**O**F ALL THE technologies involving the direct use of the sun's rays, passive solar is perhaps best understood. Passive systems use natural energy flows plus the orientation of buildings to trap, store and transport thermal—heat—energy within a structure. Passive systems may seem overly simple to many people. Insulated shutters, heat-storing brick and thermopane windows are not high-technology, but they work.

By the end of 1981, DOE officials hope to see 56,000 additional homes built on passive solar principles and,



with a spurt in building activity nationwide, 2.5 million by 1985. Currently, more than 100,000 homes incorporate passive solar elements.

Active thermal, another form of solar energy, involves using one or more collectors to transfer the sun's heat to a working medium (liquid or air) and a translucent plate that prevents the heat from escaping to the outside. Collectors are available for less than \$10 per square foot, but installation costs may increase that to \$35 to \$50. A typical 2,000-square-foot home needs 500 to 700 square feet of collectors.

The most popular on-site solar ther-

Approximately 40 percent of the energy required in the U.S. each year goes to industry, for example, and agricultural uses account for about 2 percent. In each, energy requirements are concentrated in a temperature range which could easily be supplied by solar.

**N**UMEROUS demonstration projects throughout the U.S. have been funded by DOE for industrial and agricultural process heat. Recent market studies indicate that solar power could meet from 2 to 5 percent of industrial process heat demand by

tenth the power output of a nuclear generating station) is between three and four times that required for a coal plant of equivalent size.

Energy experts believe that widespread use of solar collectors, of the type used for residential hot water, is at least 10 years away. More advanced solar collectors are expected to be introduced over the next few years. "We are working on designs which are significantly ahead of where the industry is now," says Barry Butler, branch chief of SERI's materials division.

Of all solar technologies, none generates more excitement—and controversy—than cells which convert solar radiation directly into electrical energy. Photovoltaics, as it is now commonly called, is a direct spin-off of the space program.

The worldwide market for photovoltaics is beginning to expand. Estimates of the growth vary widely, but analysts generally agree that annual installed capacity will probably mushroom and rise from the 1978 level of roughly 1 megawatt to at least 5,000 megawatts by the year 2000. When the market becomes large enough, and with the development of more sophisticated devices, costs are expected to plummet, which will open up new markets, accelerate sales and drive prices down even lower.

According to the Energy Research Group at the Massachusetts Institute of Technology, energy from photovoltaics will not contribute significantly to the nation's energy supply for decades, providing not more than one fourth to one half of 1 percent of U.S. electrical demand by the year 2000. Burke of SERI is more optimistic. He believes solar cells will provide a full 1 percent of the nation's total energy needs by the turn of the century. Solar cells are currently used in a variety of applications, including radio relay stations, navigational aids and some novelty consumer products.

**T**HE Department of Energy expresses its goal for photovoltaics in terms of costs, not percentages of energy requirements. It wants to reduce the cost of electricity produced from solar cells to 70 cents a peak watt—roughly competitive with oil—by 1986 and no more than 40 cents by 1990. (Those are in 1980 dollars.) "Based upon our current rate of progress we are on target," says Burke.

Silicon is still the most widely used material for solar cells because of its conductivity and its comparatively low

PHOTO: EVERETT C. JOHNSON-LEWIS



Solar panels supply heat for the Madeira School in Northern Virginia.

mal application at present is heating water. Solar energy collectors located on roofs can provide warm water for small-scale use.

Such systems work on the same principle as leaving a long garden hose in the sun for a few hours. The sun's heat is absorbed by water tanks mounted on the roof or south wall of a building, and the water is then pumped to an insulated storage tank where it is kept until needed.

By the end of 1981, DOE officials hope to see 300,000 active solar water heating systems installed, in addition to the 100,000 or so already in place. The major barrier to solar thermal is the initial cost—between \$1,000 and \$1,500 plus installation—and the need for a backup conventional heating system when the sun is not shining.

As the technology of solar heating for residences developed, it became apparent that the same technology could be applied to industry and agriculture.

the start of the 21st century. The long-term goal is for solar thermal to displace 520 million barrels of oil a year by the end of the century. (The U.S. currently imports about 2.9 billion barrels annually).

One of the most ambitious demonstration projects is the solar power tower. DOE and Southern California Edison Company are building a 10-megawatt solar electric plant in Barstow, Calif., which is to begin operating late next year. The plant will consist of 1,760 identical and slightly curved mirrors on the ground that will focus sunlight onto a central solar energy absorber located on a tower more than 250 feet above ground. Cold water pumped up the tower will return as steam to generate electric power by turning turbines.

The major problem is cost—\$100 million. According to Arthur D. Little, Inc., the investment for a 100-megawatt solar plant (that's about one



cost. Commercial silicon solar cells today are about 14 percent efficient in conversion of the sun's energy. In R&D laboratories across the U.S., however, there is a big push to develop photovoltaics made from other materials which, in the long run, would be more efficient.

Also, solar cells are now assembled by hand, adding considerably to their cost. The next step is to produce them by automation.

Within the family of renewable energy resources, two members remain classified as exotic: ocean thermal energy conversion, which would take advantage of the ocean's vast reservoir of solar energy, and solar-powered satellites. Only the most starry-eyed optimists believe either will contribute to our energy needs until well into the 21st century.

Despite all of its promise, solar energy faces a host of major obstacles. For starters, some members of Congress, and the scientific community as well, believe that the public is being misled about solar's potential. Among them is Rep. Mike McCormack (D-Wash.), a strong proponent of expanding use of nuclear power. "In some circles solar is almost a cult; it is a technology and should be treated intelligently," he says. Not everyone goes along with McCormack. Responds Rep. Don Fuqua (D-Fla.): "Solar is being sold short; we haven't even scratched the surface of what it has to offer."

Institutional barriers are among the most formidable obstacles to increased use of solar. They include building codes, the lack of skilled people to install and service solar systems, and legal uncertainties—is access to sunlight a property right? Even environmental issues are sure to be raised, not about sunlight but about some compounds now being tested in laboratories to try to improve the efficiency of solar collectors.

**B**OTH THE Office of Technology Assessment and the General Accounting Office are attempting to gather sufficient information to help guide solar's future direction.

Analysts are raising doubts about how cost-effective solar systems can become, even if they are mass-produced. Reason: Building materials are going up in price just like the cost of oil. Says Rep. McCormack: "Solar collectors and photovoltaics will compete not just with oil but with whatever is cheapest, whether it is coal, gas or nuclear."

If any single industry can most influ-

ence the development of solar energy on a broad scale, it is probably the utility industry. And with good reason: The high initial cost of solar technology will probably be tempered by the lower costs of established utility systems. Moreover, utilities already have the capability to market, meter and provide energy sources needed to supplement solar on cloudy days and at night.

The problem is that there seems to be no unanimity among electric utilities about what their solar role should be. Part of the reason is that utilities serve diverse groups of customers and

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**"Solar is being sold short; we haven't even scratched the surface. . . ."**

---

operate in areas with a wide variety of climates. "Solar's role will be primarily as an oil displacer," says Papay of Southern California Edison.

"Utilities are in business to sell electricity, not technology, and any way we can do that in the most reliable and cost-effective manner is great," says Chauncey Starr, vice chairman of the Electric Power Research Institute, Palo Alto, Calif. (EPRI, a nonprofit institute, is devoted exclusively to research and development and is funded by more than 575 utilities.)

"In reality, it is too late to ask whether electric and gas utilities should be involved in solar development," suggests W. Donham Crawford, chairman and chief executive officer of Gulf States Utilities Company, Beaumont, Tex. "They already are and at a rapidly accelerating pace."

Gulf States Utilities became the first electric company in Texas to institute an experimental rate for customers who install solar water or space heating units to supplement existing electric units.

"The utility industry's role in solar development," Crawford says, "is clear: Take the near-term solar applications proven workable and carry them into the demonstration phase, where technical and engineering prob-

lems can be overcome before entry into the commercial market."

Rep. Fuqua believes that "the driving force in shaping our energy future will be oil prices." But rising oil prices, however painful, will not be the only variable which will help to determine how fast solar enters into America's energy mainstream. There remains the question of how much weight the federal government will give to other energy forms, such as nuclear, in piecing together the nation's long-term energy mix. SERI scientists and utility executives alike state emphatically that, from a purely technical standpoint, nuclear remains the nation's best energy ace in the hole—if it is developed fully.

**T**HE EXTENT to which business is willing to get involved in advancing solar is another uncertainty. For example, manufacturers of traditional electric water heaters are showing a reluctance to add solar systems to their product lines. "Too few businesses want to be innovators," observes SERI analyst Hewett.

Congressional support for solar energy programs has mounted rapidly, but may now have peaked. Funding levels for some solar programs—the power tower, for instance—have reached a level where there will probably be major reviews in the near future. "It's not certain, of course, but I expect some of the money will be cut back," says Rep. McCormack.

Another key factor will be the importance which both the solar industry and government place on public education. There remains a need for more solar energy information programs, not just for consumers, but also for zoning officials, bankers, insurance brokers and many others who are involved in the approving and financing of solar energy construction.

To interpret these uncertainties—and obstacles—as a signal that solar may not mature as an energy source would be a mistake. There are things that solar is and is not. It is no panacea, only a partial answer to a complex energy problem that will be with us for at least the next 20 years. There are no hidden secrets waiting to be unlocked, as in the case of fusion power; most solar technology is fairly straightforward. Solar is not eons away; it is here now, and more advanced forms are coming.

And, sadly, solar is controversial, largely because a lot of people simply don't understand enough about it. □



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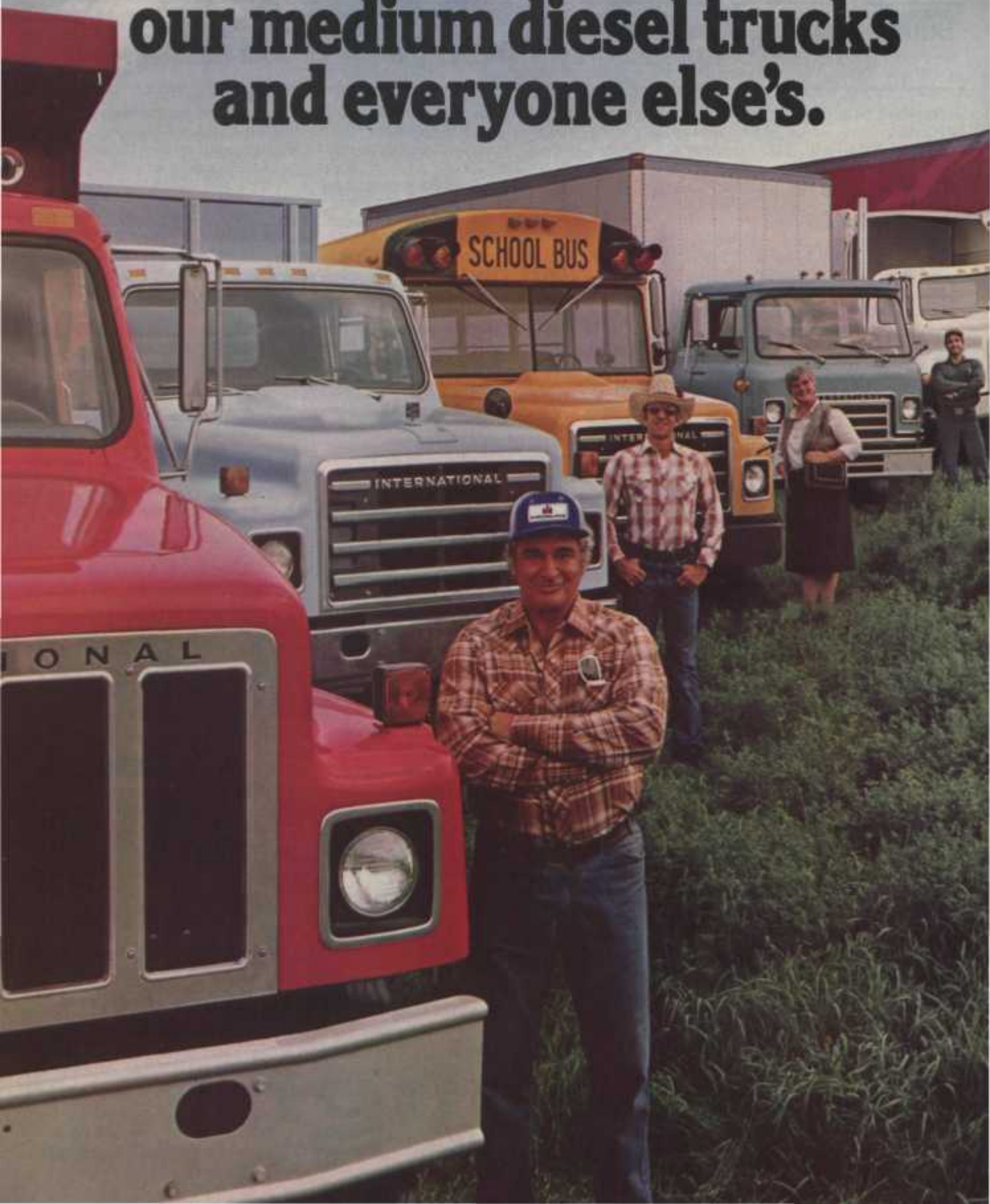
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# Paul Sticht Smoked Out The Tobacco Mentality

**I**F J. PAUL STICHT had not been a member of the United Steelworkers of America union as a young man, he might not be running R.J. Reynolds Industries, Inc., today.

Obviously, there were some additional circumstances involved in his rise from a 33-cents-an-hour laborer in a steel mill to the top job in a giant conglomerate that annually sells more than \$8 billion worth of cigarettes, oil, food and packaging material and owns a fleet of cargo ships.

Among other things, he went to the right school (not Ivy League, but tiny Grove City College in western Pennsylvania), was rejected for World War II military service (but wore an Army uniform, anyway) and met a man named Roy Hughes.

As chairman and chief executive officer of one of the largest companies in America—and having previously served as president of Federated Department Stores and president of Campbell Soup's international operations—Sticht has had one of those classic climbs in American business. Yet he says:

"I never set out to do what I accuse the graduates of Harvard Business School of doing—focusing their sights on running a major company."

Sticht, who was so insistent on retiring at 55 that he had it written into his contract at Federated Department Stores, is now 63 and busier than ever. By every definition, although not by his own admission, he is a workaholic. During a recent vacation at his lakefront cottage in a bucolic New Hampshire setting, he spent six hours on the phone straightening

out a company problem. A tall, lumbering man, he is friendly, gentle up to a point, and he leaves the impression that he knows everything that's going on at any given minute throughout the Reynolds empire.

On the question of his management style, every vice president, department head and supervisor (the top layer of the 80,000 people who work for Reynolds) knows that the boss has certain fixed rules that won't be breached. Not the least of these is that he doesn't like surprises. If there's a problem developing, he'd better be informed quickly. The toughness is there in this com-

ment he made recently to his executives:

"I can be your partner or your critic. When you choose to bring me into a situa-

tion determines which I will be. If you bring problems to me in time for me to help, I can be your partner. If you wait too late, I can only be your critic."

When Sticht, who had been a member of the board for four years, came to Reynolds full time in 1972 he found a company badly in need of a transformation. Reynolds had begun to diversify after the U.S. Surgeon General's warning on cigarette dangers raised fear that the tobacco industry was doomed, but the new acquisitions were not helping to move the company along. Part of this was attributed to the "tobacco mentality" that still determined corporate planning and policy and part to a lack of bold management.

Sticht recalls that Sea-Land Industries, Inc., the country's biggest containerized shipping company, which Reynolds had acquired, was running "out of control." Its managers were stuffing invoices into shoe boxes. And



Paul Sticht has virtually given up his horses, but he keeps the saddles in shape.



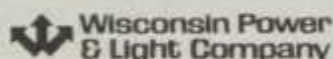
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RJR Foods, Inc. a new subsidiary formed by other acquisitions, was going nowhere, despite such well-known brands as Hawaiian Punch and Chun King and Patio prepared foods.

What caught Sticht's attention most of all, however, was that virtually all of Reynolds' 18 board members were company insiders. One of his first actions was to drop seven of the insiders. Today, the board is made up of 10 outside directors and eight company officials, including Sticht.

"The trouble with a board dominated by insiders is that they know who the boss is and they do what the boss tells them to do," he said at the time.

**T**HIS IS NOT to say that the old Reynolds Tobacco Company had not been a success. It has thrived since 1875 when Richard Joshua Reynolds, with a \$2,400 investment, bought a plot of ground in Winston-Salem, N.C., and built a small factory to turn out plug chewing tobacco.

A mark of Reynolds' success is that it has been paying dividends without interruption since 1900. And dividends per share have been raised for 25 consecutive years, except in 1971, when federal guidelines prohibited increases. In the first half of 1980, consolidated sales of \$4.95 billion were registered, an 18 percent increase over the same period in 1979. Net earnings rose 30 percent to \$347.4 million in the six-month period.

Today, Paul Sticht, who became chairman in April, 1979, jokes that he really got his training for his job when he attended Grove City College, a period he looks back on with considerable nostalgia. At one gathering of Grove City's study body, he said:

"I think I got my early training in running a diversified business right here because while I was a full-time student, I was in the service business as the headwaiter in the girls' dining hall. I was in the energy business because I had to fire Dr. Bealer's [the college president] furnace on my way to the girls' dormitory. I helped keep the environment clean by operating a dry cleaning and pressing business. And as a sign painter, I made an early start in the advertising business."

Sticht was born and brought up in hardscrabble country, the western Pennsylvania coal region near Pittsburgh. U.S. Steel's old Carnegie-Illinois mill, three miles down the Monongahela River from his hometown of West Elizabeth, provided what jobs there were. Paul Sticht's father,

Joseph, was a laborer at the mill. When the depression set in, most of the coal mines and steel mills in the area shut down or severely cut back. Carnegie-Illinois occasionally passed out food baskets. Paul, now a teenager, worked in the fields outside town to help the family eke out a living.

As the depression wore on, conditions at Carnegie-Illinois improved gradually, and young Sticht signed on as a summertime laborer. His hands and body still carry scars from that period, when his job was unloading lime in the mill's coke plant. The sweat from his body combined with the lime dust and caused large boils.

That's when Roy Hughes entered Sticht's life and began to shape his future. Hughes was vice president for personnel at the steel plant and served on the board at Grove City College.

"Roy Hughes not only encouraged me to start thinking about college—when few of my friends were able to go—but he later helped me get some college loans and campus jobs," Sticht recalls. "Even though jobs were still scarce at the mills, he found something for me to do in the summer to earn money while I was in college. Later, Roy Hughes was to play an even greater part in my future."

Sticht had to fit his studies at Grove City around his odd jobs—dishwasher, waiter, sign painter, dry cleaner and presser—and wound up with a mish-mash of credits in business, liberal arts and engineering. School officials finally decided to award him a bachelor of arts degree. Years later, his alma mater gave him an honorary doctorate.

**I**N COLLEGE he had no clear idea of what he wanted to do with his life. His ambition loomed no larger than returning to the steel mill, this time as a full-time employee with a college degree.

"In fact, I thought that if I could become a \$50-a-week foreman, I would be terribly successful," he says now.

In 1939, when he graduated, Carnegie-Illinois hired him at \$120 a month. While he held no such title, he functioned as an industrial engineer. Since he had been a member of the United Steelworkers, even serving as a union organizer, the company tapped him to deal with the unions. Some of his close friends in those days later became ranking union officials.

"Whenever a union problem developed, they sent me out to see if I could settle it," he remembers. "I wasn't a labor relations expert as we know them





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today, but I knew the union people. I could deal with them."

When World War II broke out, Sticht was anxious to get into uniform, but bad eyes and a boyhood injury kept him out. Then he learned that Trans World Airlines had an Army contract to fly high-priority military cargo overseas and was looking for civilian employees to operate ground stations along its routes. Sticht signed up. Although he was on TWA's payroll, he worked for the Army and wore an Army-type uniform. He was assigned to Cairo, Egypt, and later served in Abadan, Iran.

At war's end, Sticht was asked to stay on with TWA, which was planning to extend its international operations, but he chose to return to Carnegie-Illinois. Enter Roy Hughes again.

"Roy talked me out of taking my old job back," he relates. "He recommended instead that I take a job with Campbell Soup and then went on to help me get the job."

Sticht worked in every phase of the business at Campbell—personnel, containers, marketing, international operations and labor relations.

"I wasn't at Campbell six months when some union difficulties came up, and they put me in charge," he says. "My union experience at the steel mill came in handy."

Among the union problems dropped in Sticht's lap was to investigate communist activity in what was the old Food and Tobacco Workers union. This did not go unnoticed by R. J. Reynolds, which was dealing with the same union.

"They sent some people to Campbell to see how we were handling this matter, and this is how I began my association with Reynolds," he recalls. "After I had left Campbell and was at Federated, I was invited to join the Reynolds board."

At Campbell, Sticht moved more and more into the marketing side of the business. He played a key role in the acquisition of Swanson, a pioneer in frozen TV dinners and other prepared



Checking ink at the packaging plant.

foods. This led to his being named the youngest Campbell vice president at age 32. He became president of Campbell International in 1957.

Paul Sticht was building on his successes as an aggressive, hard-driving executive, but as he lamented later, "I was spending half my life running around the world just as my two boys were entering their teens."

**I**n 1960, Sticht was named executive vice president of Federated Department Stores, Inc. His assignment was to reorganize the Cincinnati-based retailer.

In 1967 he became president of Federated. Although he was only 50 at this stage, he announced to the company that he planned to retire at 55. He wanted to call it quits, spend more time with his wife, Ferne, and sons, and dabble in several small enterprises. Under the retirement arrangement, he was to receive \$50,000 a year for life. About two years into his presidency he was invited to join the board of R. J. Reynolds Industries.

In 1972, Paul Sticht retired.

One day, shortly after their arrival at their retirement home in North Palm Beach, Fla., the Stichtes were talking with an architect about adding a workroom in which Sticht could con-

duct his retirement activities when the phone rang. It was Reynolds Chairman Alexander H. Galloway.

"He wanted to talk to me about some problems involving management succession since he was planning to step down in a short while," Sticht recalls. "I agreed to take on the job as chairman of the executive committee."

This would only delay Sticht's retirement, not set it aside. He took a small apartment in Winston-Salem, and Mrs. Sticht remained in Florida. Several months later, Galloway retired, Colin H. Stokes moved up from president to chairman, and Sticht was named president.

How did this sit with Mrs. Sticht? She tells friends: "Well, I just went ahead and retired. Now I'll just wait for

him to catch up to me."

Paul Sticht was the right man for the job. Reynolds was diversifying heavily into foods, and there was his experience at Campbell and at Federated, which owned a large chain of supermarkets in addition to department stores.

"Here was a tobacco business, essentially focusing on a domestic market, so we were a little bit dead in the water," Sticht says. "We had a shipping company that was a problem and still is. We had acquired a group of food companies, but they had never quite come together. And we had taken no advantage of international opportunities."

The largest acquisition under Sticht's aegis was the giant Del Monte Corporation, which Reynolds bought last year for \$619 million in cash and preferred stock.

"It was apparent to me when I went to Reynolds that we could not develop a really viable food business from the assortment of bits and pieces that we had," he says. "And it would take longer than I was willing to give to develop it internally. I decided fairly early that we would either make a major acquisition of food and related products important to the total, or we would sell what we had."



An acquisition of this magnitude obviously requires considerable time, planning and acumen, and some degree of craftiness, but Sticht brushes it off with a few words:

"I knew the Del Monte people, so I just went out to San Francisco and started talking. They didn't think much of the idea. We kept talking, and it took about a year. Finally we made a deal."

Sticht has high hopes for Reynolds' future in the energy business, which it entered in 1970 when it bought a small international production company for the purpose of supplying fuel to Sea-Land. By every sign, Aminoil USA, Inc., will be the fastest growing segment of the Reynolds operation over the next few years. One financial analyst says: "You're looking at a reserve position in Aminoil today that runs into billions." In 1979 Aminoil had interests in drilling 62 exploratory wells with 33 successful hits. This success rate of 53 percent was almost triple the industry average.

Successful business people often point to specific milestones if they are asked to chart the course of their careers. Paul Sticht prefers to take an



Unlike many U.S. shipping lines, Sea-Land accepts no federal subsidy.

overview of what has happened to his company. He says:

"It's kind of like when I lived in Cincinnati. We had some horses and a pasture. I'd enjoy taking the tractor out and cutting the grass because I could look back after every cut and see the progress I was making. 'Gee, that's pretty good,' I could say to myself. In a

sense, I get the same kind of satisfaction by looking back to where we as a company were and where we are today—the total results. I enjoy pieces of it, but the pieces are only important as far as they contribute to the total." □



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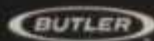
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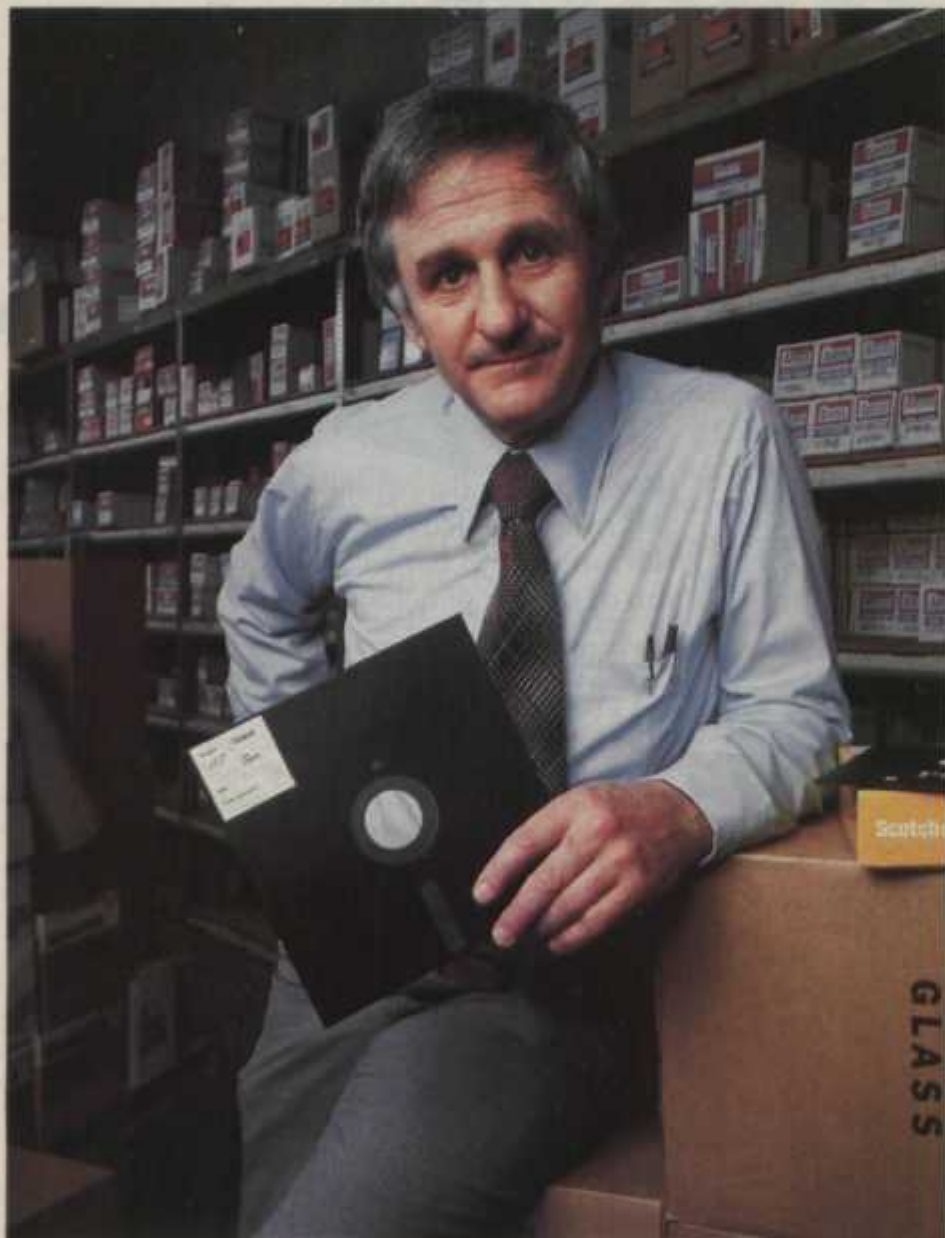
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# How the Other Half Works

By Michael Thoryn

**I**F YOU DON'T get 5,800 people on board and singing off the same song sheet, you're going to get buried."

Those words of warning about the government process of decision by consensus are from a businessman who spent a year in a Washington agency under the President's Executive Exchange Program. Twelve months in government can be frustrating for a business executive who is used to making decisions. The business world's flexibility and responsiveness to problems are sadly lacking in government, several program participants say.

Each participant is quick to add, however, that the experience and education of the exchange year, the insight into government, is well worth the effort.

The program, now in its 11th year, is a small-scale effort to help the public and private sectors understand each other better. Business people see the complexities and consensus-building of routine government decisions in Washington; federal executives fan out





across the country to corporate headquarters and learn about industries they might be regulating.

Since its creation by the Johnson administration, the program has exchanged about 400 business executives from more than 200 corporations and nearly 200 government executives from 33 agencies. During the exchange year, September to August, the executive is considered on unpaid leave of absence and is paid a comparable salary, within federal limits, by the host organization.

**A**CCORDING to Lee M. Cassidy, a Carter appointee who serves as executive director of the President's Executive Exchange Commission, the typical corporate participant is 35 years old and earns \$49,000 annually. Each participant must be nominated by his chief executive officer or agency chief and undergo several screening interviews. Twenty-two from business and 18 from government were chosen this year from 110 nominees.

The exchange commission turns up potential work assignments for each executive, and placements are made by mutual agreement.

Besides learning how the other sector lives, business executives meet in regular give-and-take sessions with leading Washington figures—Stuart E. Eizenstat, the President's domestic affairs adviser; Sen. Charles H. Percy (R-Ill.), and Transportation Secretary Neil E. Goldschmidt were three on the past year's schedule, and President Carter cleared time for a short talk in February. There's an orientation week in September and a two-week overseas conference that prepares executives to evaluate international conditions which can influence decisions of their sponsoring organizations. Capping the program is a three-day conference giving all the executives a chance to reflect on the exchange year and evaluate it.

"The payoff is mostly for the individual," says John H. Duffy, a business executive who worked for the General Accounting Office in 1977-78 and is now Washington area director of finance and administration at Booz Allen & Hamilton, Inc., management consultants.

"The sponsoring organization gets back a person who was invested in, who is being groomed. It is a broaden-

ing experience. It's not a case of getting a demonstrable return on the investment within 18 months, however. It is an experience—a facility with government—that you put into someone you think has the potential to be chairman of the board in 15 or 20 years."

**F**OR EXAMPLE, Richard B. Giddings, a Pfizer, Inc., executive, says the exchange experience has taken him into a different line of work that can lead to bigger things. Formerly a plant manager, he now is running the political education program at the company's Washington office. The sessions with government leaders were particularly broadening, he says. "Since my background is technical, I had very little appreciation of the depth of the country's economic problems."

Just prior to the business executives' White House session with Jimmy Carter in February, Hugh A. Carter, Jr., a special assistant to the President, spoke to them. He ruminated on government decision-making. "In government, decisions are based on politics, the strength of a group organized

PHOTO: WHITE HOUSE



The executive exchange program helps improve government-business relations, President Carter told program participants.



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throughout the country," he said. "You can't base decisions just on economics."

The business executives' usual placement in coordinating or liaison roles put Hugh Carter's view in frustrating perspective.

Says Giddings, who spent his year as an aide in the office of the commissioners at the Nuclear Regulatory Commission: "It's easy to develop ideas about where the problems are and how they might be solved. It's virtually impossible to solve them." Adds Donald D. Collis, a 1977-78 business exchange executive who is now director of finance at Standard Oil Company of Ohio: "Almost before you start the decision-making process, you have to decide whether the decision is worth the effort."

"In terms of management, business has the simpler central goal, making money," points out Barry Unger, co-founder of Kurzweil Computer Products, a small manufacturing and research company, and now president of his own consulting firm, Innovation Support, both in the Boston area. "Government is a funny black box where competing needs of an entire nation meet. Who manages better? They're doing different things."

Unger says the Small Business Administration, his assignment in 1979-80, moved at a snail-like pace, and obtaining interagency cooperation was especially trying. "Commerce, State and the Office of Personnel Management—they're like working with another company," he says.

**H**OPELESSLY inefficient wasters of money," is Ross Jones' capsule analysis of his Department of Health and Human Services work experience. Jones, investment manager at the Reader's Digest Association, Inc., served as a policy coordinator at HHS.

Among his examples: a 90-person Social Security Administration office that processed completely duplicative work for several months, and the concentration at the policy level on "designing new programs for people regardless of cost." Jones was amazed to encounter a young staff member who told him: "I've never known a businessman before. You don't seem that different from the rest of us."

Jones adds that "the fun thing about returning to Pleasantville [Digest Association headquarters] was making decisions again."

Several business executives describe midlevel government executives they met on the job as smart, dedicated,

frustrated and financially trapped. Though just as competent as their private sector counterparts, the business people say, these officials can't match their government salaries with salaries in business, and they are battered by conflicting short-term goals of agency chiefs, Congress and the President.

Lenore R. Ledman, who did intergovernmental work for the Department of Energy before taking part in the exchange program, learned about regulatory impact on the private sector at the Grumman Corporation community affairs office. "It was a mind-expanding opportunity to see how regulatory constraints affect the industry," she says.

## Attention CEO's

If you would like to sponsor an exchange executive or host a federal executive, contact the President's Executive Exchange Commission by early spring.

"We want executives nominated by the chief executive officer so it is clear they have top-management support," says Lee M. Cassidy, commission executive director. "We're looking for superior people." Cassidy can be reached at (202) 632-6834 or The White House, P.O. Box 14179, Washington, D.C. 20044.

"Grumman does not have major political concerns. The concerns are production and financial—things that business people think about that I never had to think about before."

Another government executive, Justin Klein, moved from the Securities and Exchange Commission to General Electric for a year—"the crème de la crème of government to the crème de la crème of corporate America," he says. Klein found management quality comparably high but, like most exchange executives, found it a hardship to have to move his family for the one-year assignment.

Properly slotting exchange executives on their return to their jobs can be difficult for either government or business sponsors. "It's important to track the returning executives, career-wise," says Collis of Standard Oil of Ohio. Collis' sponsor was the Peat, Marwick, Mitchell & Company accounting firm. After less than six months back at Peat, Marwick, he re-

ceived an unbeatable job offer from Sohio. The initial contact came through a Washington acquaintance.

**B**USINESS, with more flexibility than government, has an easier time augmenting a job or finding a new position to capitalize on newly acquired skills. In the words of Executive Exchange Commission Director Cassidy, "There is a lack of structural ability in government to plan careers." By the time Lenore Ledman was ready to return to DOE, a new Secretary, Charles Duncan, was running the department. She was offered a lateral transfer. After enduring "a crazy bureaucratic mess," Ledman turned up a DOE job on her own—in the fusion energy office—that better applies her Grumman-learned abilities.

Would business executives who take part in the program be interested in a years-later return to government in a top-level job? Most say they would be willing to come back—there's something intoxicating about Washington, one executive says—but it would have to be a position where you can get things done. The pay would have to be right, too. The business people—none of them wealthy—don't want to take steep pay cuts.

To assist eventual returns on either a full-time or consulting basis, the exchange commission is entering names and backgrounds in a minicomputer for quick retrieval. Cassidy would like to have more names of small business people in the pool, but nominees from small firms are hard to come by. "When the company is small, losing one person might be 10 percent of the senior staff," Cassidy explains. However, Cassidy notes that one person from a smaller firm who is broadened by his experience in the exchange program could make more of a difference to his company than an executive returning to an industrial giant.

Reflecting on his year in government, Giddings says: "Government agencies have to find a balance between a system that protects reasonably against abuse and error and one that allows you to make decisions and move ahead."

Ledman, reflecting on her year in the private sector, adds: "The two sectors can no longer stand with their backs to one another."

"In a sense I believe in the revolving door—that people in industry and government ought to have experience in the other sector. They'd make better decisions." □



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# Executive Pay Bites Back at Inflation

By Ronald B. Goettinger

**A**MERICAN COMPANIES have reacted to the growing bite of inflation and income taxes with executive pay packages that rival the sports world's six- and seven-figure compensation packages for certain free agents.

Salary increases, along with bonuses and exercise of stock options, pushed more than 60 chief executive officers at publicly held companies over the magic million-dollar mark in 1979. The big winners, the annual Sibson & Company executive compensation survey shows, were chief executives in the entertainment and oil-related fields, and top managers of corporations acquired by other companies.

During the past year, salary levels for all managers covered by the survey

rose an average of 11.3 percent, the highest such rise since the survey began in the 1960s. And the increase in salary levels was lower than the actual average increase in salaries because of managerial turnover—executives who moved into new jobs often did better than they would have if they had stayed put.

At the top of the salary-level escalator were chief operating officers, with an average 17.1 percent increase during the year. Salary levels for chief executives rose 14.3 percent.

Not even on the escalator were the 8.8 percent of executives who—for varying reasons—received no raises at all.

The survey covered 65 top manage-

ment positions. Compensation figures were obtained from more than 700 companies in a wide variety of business categories. The companies range in size from firms with less than \$25 million in annual sales to America's largest corporations.

More and more, executives are being sought for proven managerial skills, rather than specific industry experience. The salaries they receive depend in large part on the type and size of the companies they work for.

The accompanying box giving management salary-level comparisons tells the story.

For instance, the typical chief executive officer's salary in a general-industry company with \$100 million in

## Average Management Salary Levels

(In thousands of dollars)

Sample Company Sizes By Industry	Chief Executive Officer	Chief Operating Officer	Top Financial Executive	Top Sales & Marketing Executive	Top Legal Executive	Top Human Resources Executive	Top Data Processing Executive
<b>General industry</b>							
\$100 million annual sales	\$130	\$102	\$ 70	\$ 68	\$ 54	\$ 46	\$ 40
\$1 billion annual sales	248	180	115	98	89	74	58
<b>Retailing</b>							
\$140 million annual sales	141	92	71	66	51	42	41
\$2.4 billion annual sales	248	148	126	117	88	84	69
<b>Transportation</b>							
\$100 million annual revenues	84	--	63	--	38	--	--
\$1 billion annual revenues	221	--	111	--	81	--	--
<b>Utilities</b>							
\$50 million annual revenues	93	67	52	33	43	32	33
\$500 million annual revenues	161	106	78	43	70	50	48
<b>Commercial banks</b>							
\$960 million assets	135	105	60	41	46	42	47
\$9.6 billion assets	250	200	96	56	85	72	72
<b>Diversified financial</b>							
\$260 million assets	119	--	67	--	--	46	--
\$2.6 billion assets	178	--	85	--	--	63	--
<b>Life insurance</b>							
\$85 million annual premiums	106	85	58	66	49	37	45
\$1.1 billion annual premiums	220	135	88	102	78	55	70
<b>Property &amp; casualty insurance</b>							
\$60 million annual premiums	87	66	46	42	37	33	37
\$600 million annual premiums	170	135	78	62	65	50	61

--Statistical sample too small to compute average.

SOURCE: Sibson & Company, Inc.



annual sales is \$130,000. In the same general-industry category, a company with \$1 billion in sales typically pays its chief executive \$248,000.

The top sales and marketing executive's salary at a commercial bank with \$960 million in assets typically is \$41,000, and at a commercial bank with \$9.6 billion in assets it is \$56,000.

If a firm's size falls between the examples given, the executive's salary normally would fall between the salaries given—depending on where the size falls. If a general-industry company has sales of \$550 million—halfway between the two general-industry examples—the chief executive's pay would be halfway between the two salaries, or \$159,000.

**O**NLY 12 percent of the hundreds of companies surveyed report geographical differences in pay levels for executives. New York is most frequently mentioned as a city where an executive is paid more because of location—the New York executive is paid 5 percent more, on average, than if he or she worked elsewhere in the country for the company. Other cities for which pay differentials are reported include Boston (4 percent more), Washington (also 4 percent), San Francisco (3 percent) and Los Angeles (1 percent). There also are regional differences, with pay levels below average company levels in the Southeast and North Central and South Central states, and higher in the West and Northeast.

Bonuses are an important ingredient of management compensation, with four out of five companies reporting they have some form of bonus or other short-term incentive plan. The use of bonuses is limited in certain fields—notably hospitals, farm cooperatives and utilities.

Although companies base their bonus awards on corporate and/or division performance, three out of four of the firms that give them also adjust the award for the individual's performance.

The economic slowdown apparently has had a slowing effect on bonuses. Although the survey does not include a breakdown on bonuses per se, it does show what has happened to salary levels combined with bonuses. They rose 12.8 percent in the past year, as against an extremely high 14.8 percent the year before.

Stock options and other long-term income plans that reduce taxes also are significant in executive compensa-

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## Management Salary Increases, Year by Year

	1978	1979	1980
Average increase in salary levels	8.4%	9.9%	11.3%
Average salary increase—all managers	9.1	9.9	12.0
Percent receiving an increase	71.0	91.0	91.2
Average salary increase—only those receiving increases	11.9	10.9	12.3

SOURCE: Sibson & Company, Inc.

## Average Amount of Compensation—As a Percentage of Salary

Salary	\$100,000	\$150,000	\$200,000	\$250,000	\$300,000	\$350,000
Bonus	35%	40%	45%	50%	55%	60%
Long-term income	40	50	60	70	80	90
Benefits & perquisites	30	30	25	25	25	25
Total	110%	125%	135%	150%	160%	175%

SOURCE: Sibson & Company, Inc.

tion. An analysis shows that 73 percent of the income of the 10 most highly paid executives in the country in 1979 was obtained by exercising stock options. The average remuneration of these top managers was \$2.9 million, and of that, \$2.1 million came from stock option gains.

One out of two companies surveyed has some type of long-term income plan, and the stock option is the most common type. Two out of three of the companies with long-term plans grant some form of stock option.

The most popular way to administer long-term income plans is to grant awards on an annual basis. The number of employees included in such plans normally consists of the top 1 to 3 percent of the company work force.

Extra benefits are important, too. They normally represent something like 25 percent of the value of the executive pay package.

**T**RENDS can change in the benefits area. The tendency now seems to be for companies to pay for supplemental retirement benefits, additional life insurance coverage and supplemental medical service for their senior managers. More than half of the companies surveyed have supplemental retirement and life insurance benefits.

Executives also are given perquisites which represent a very small part of

compensation packages, monetarily, but loom large as frosting on the cake. The higher the level of the executive, the more perquisites normally will be extended.

The most common perquisite is the company-paid physical, which one out of two of the firms surveyed gives its officers. Other perquisites extended to officers and to a few select executives below officer rank include company-paid club dues, first-class air travel, tax counseling, and estate and investment planning.

What lies ahead in compensation packages for executives?

With inflation and taxes continuing to plague them, as well as so many other Americans, their compensation will be more complex and more expensive to their companies than ever before.

In the early 1960s, a chief executive officer had really arrived if his salary was at the \$150,000-plus level. In the early 1980s, the figure is six times that.

And indications are that such lofty pay levels will become more and more common in the years to come. □

RONALD B. GOETTINGER is president of Sibson & Company, Inc., Princeton, N.J., a consulting firm specializing in personnel management.



To order reprints of this article, see page 58.





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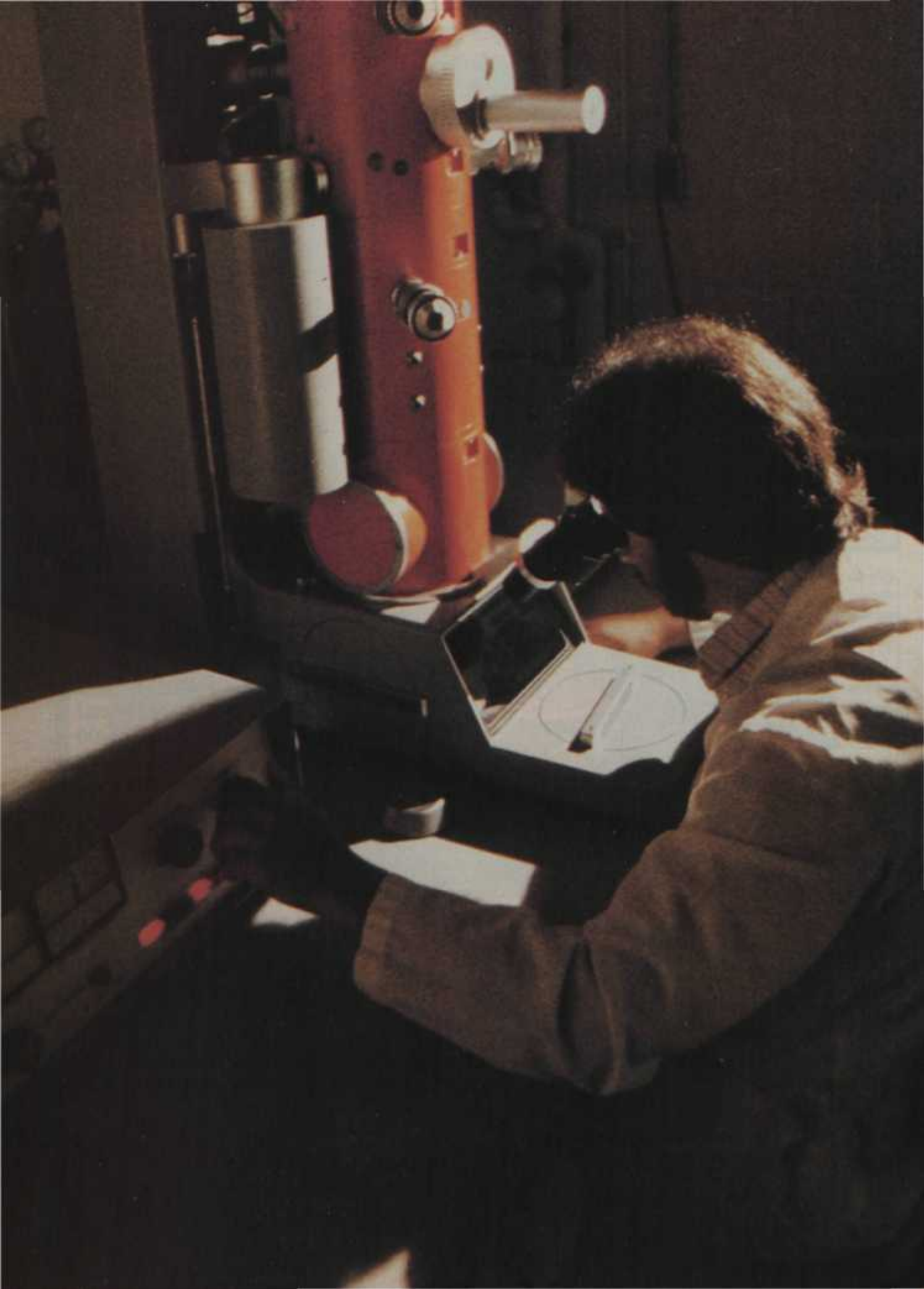
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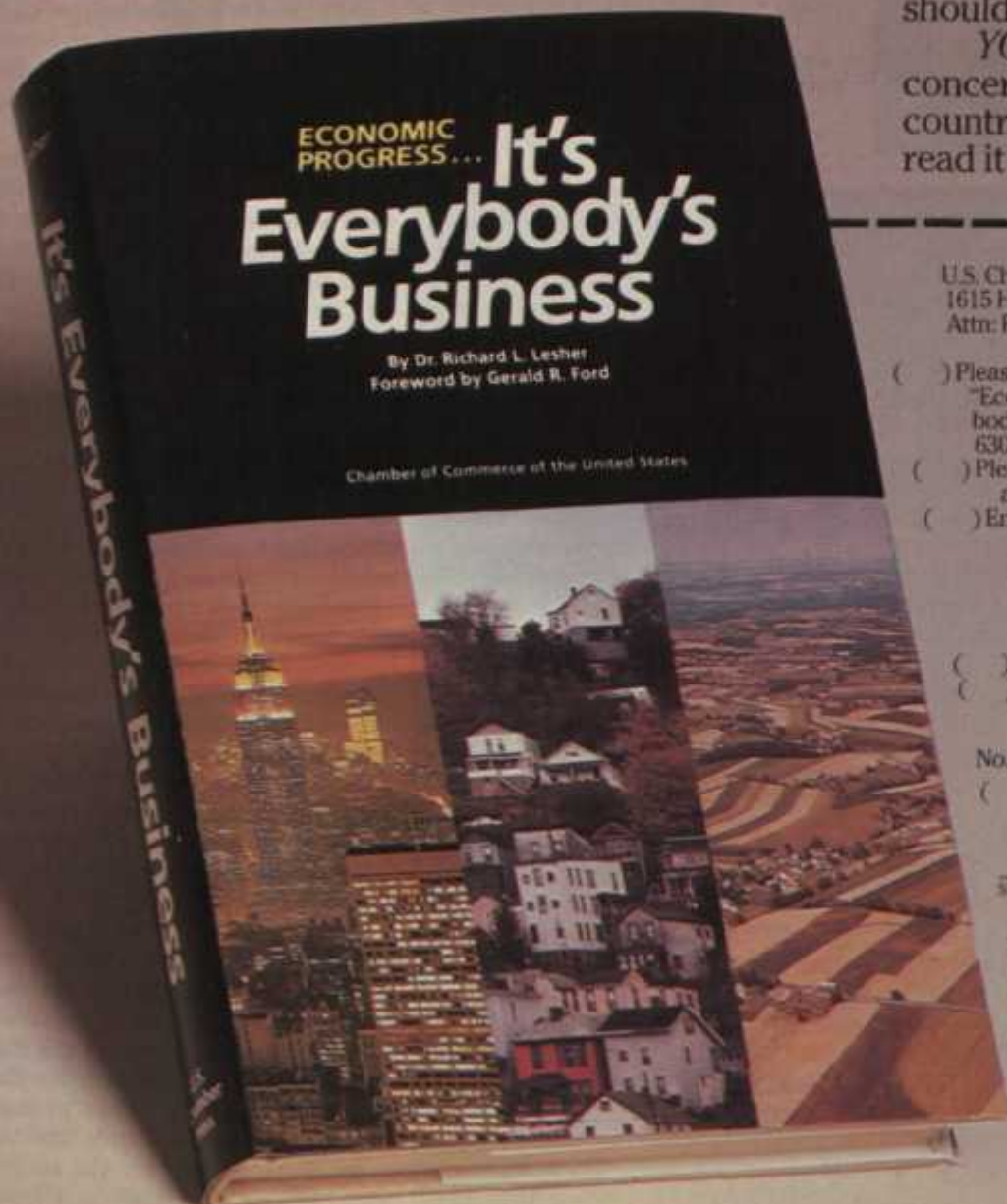
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# A Change Of Image Can Change Your Future

By Mary Tuthill



**W**HEN YOUR company starts losing sales to a competitor, or a co-worker who joined the firm at the same time you did is chosen for a management training program and you are not, or you think that being a woman is the only thing standing in the way of a promotion for you, what do you do?

Faced with these and similar situations, more and more firms and individuals are turning to personal image makers for help. The results can be gratifying to both sides.

"Really helping someone does more for you than getting paid," says Stanley D. Hyman, president of Identity Research Institute, McLean, Va., recalling a woman client who called him late at night to thank him after returning from a successful day with her new image.

While recent books, such as John T. Molloy's *Dress for Success*, have focused greater attention on personal packaging, many in the personal image business, like Hyman, have been correcting the speech, voice, mannerisms and dress of television personalities, top political figures and the heads of some of the country's largest corporations for more than 10 years. Now the second edition of the *Directory of Personal Image Consultants*, by Jacqueline Thompson, lists 157 such

consultants throughout the country, many of whom operate several branch offices. The first edition of the directory, published in 1978, listed only 37.

The consultants listed represent a mixed bag, not only in terms of experience and training, but in approach and price. They range from those who rely heavily on psychological tests and counseling in achieving the desired result to those who are primarily wardrobe counselors. Some work almost solely with large corporations, while others concentrate on individuals as clients. Some operate primarily in one location, but many are geared to conduct seminars anywhere in the country. While most work with both men and women, a few limit their work to either male or female clients. Only a few try to cover all phases of image making; most rely on experts in various fields as consultants.

The cost can range as widely as the services, and in many cases the fee is negotiable. Individuals who are not part of a corporate program can often take part in a class—usually two days—for \$200 to \$600, or may arrange counseling on an individual basis for between \$35 and \$75 an hour.

"At IRI we give in-depth psychological tests before starting a seven-week class," says Hyman. "These tests are evaluated by two psychologists and

then discussed with the client. The work must be from the inside out. We don't just hang clothes on people."

An associate of Hyman, Rick Hindin, president of the Britches of Georgetown menswear chain, was a dress adviser to President Gerald Ford, and Hyman says he helped Ford overcome the look "of a farmer walking through a plowed field." Hyman's firm has also been called upon by the Carter administration for advice. He counts many politicians, lobbyists and business executives among his clients.

A senator once came to IRI because polls showed a decline in his ratings. Hyman and his staff arranged to go to the senator's home state to observe him and videotape his speeches. They then worked on his delivery and gestures, his voice and his clothes. The next polls showed an improvement in the senator's ratings so impressive that an aide also enrolled in the course.

**E**LAINE POSTA, also a believer in image "from the inside out," was director of Trans World Airlines' grooming program for flight attendants and a consultant for Eastern Airlines before starting The Image Institute in New York City. The bulk of her work is done for the staffs of large corporations, such as Caesar's



Palace in Las Vegas. Each individual is asked about life-style, job and long-range goals before any suggestions are given. Posta works closely with doctors and specialists in nutrition and mental and physical health. Selection of clothing is part of the total package, along with grooming and basic good health.

Most of Posta's female clients come to her on their own while trying to move up the corporate ladder or before re-entering the job market, but she recalls one who was sent by her company. The woman, 29, was being considered for a promotion because of her job skills, but the company realized that her excess weight and poor choice of clothing would not present a good image.

Posta immediately put her on a diet and then showed her how to use make-up, hair styling and a few basic clothing items to look like a management candidate while she worked on her weight loss. The company, pleased with her new appearance, gave her the promotion before she had completed her diet program. She feels the change in her image changed her life, and she is sticking with Posta's diet plan and other suggestions.

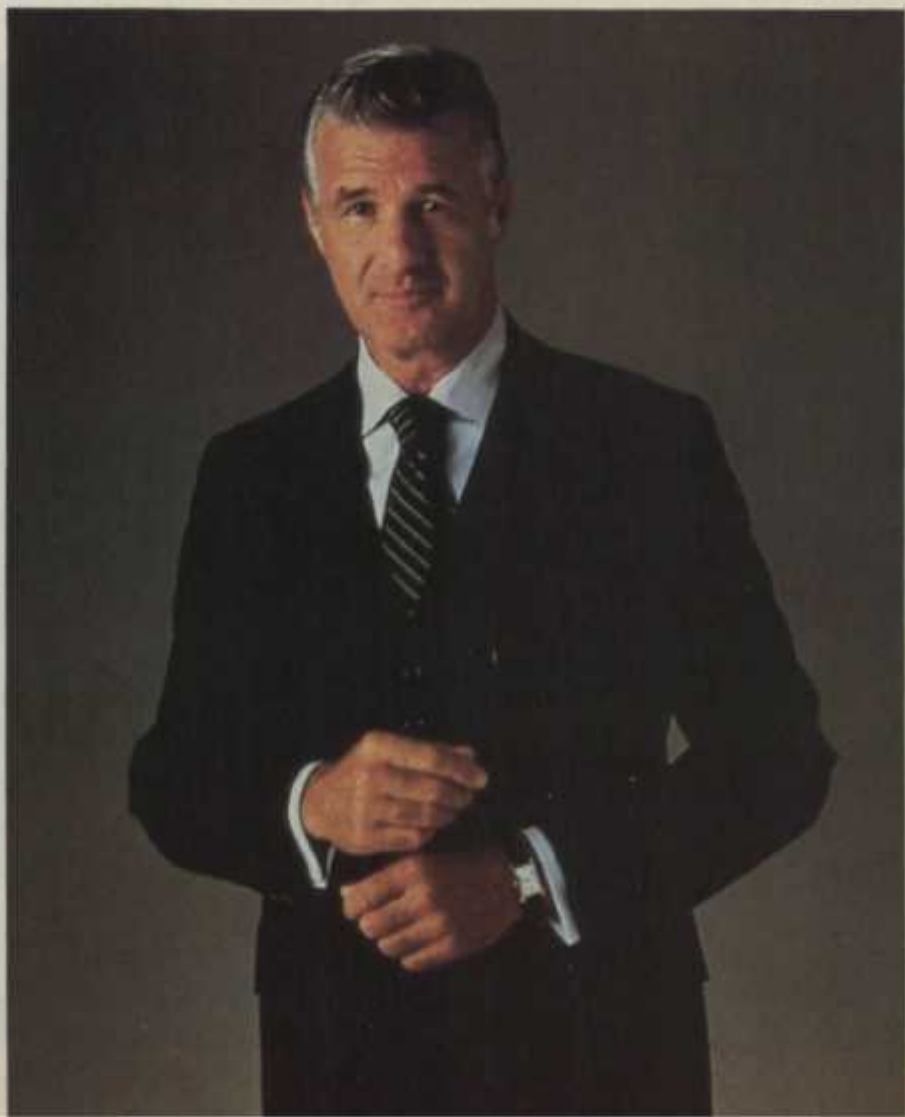
**J**OANNE WALLACE, a former Mrs. Oregon, founded Image Improvement, Inc., in Salem, Ore., in 1969. The company now has branches in 19 states and Canada, and works with groups as varied as banking institutions and plumbers. "I don't go along with the concept that if you look good you can make it," Wallace says. "You have to feel good about yourself and know your job." As an approach to feeling good about oneself, she encourages a belief in a Supreme Being and occasionally uses Bible verses in her classes. Like the others, she teaches her clients to gear their clothing to life-style and the proper career image.

"You don't give plumbers the same advice as bankers," she says. "The plumber needs his uniform to establish his credibility, although it shouldn't be sloppy or dirty." For dealing with banks or important contractors, she advises plumbers to wear good sport jackets and slacks. Image makers seem to agree that people in any occupation who wear inexpensive double-knit suits don't look like good financial risks.

"It's not who you know or what you



Elaine Posta (opposite page) and William Thourby model examples of right and wrong ways of dressing for the person who wants to make first impressions count on the way up the corporate ladder. They advise a long look in the mirror each morning to be sure you have packaged yourself properly for the day ahead.





know, but who knows what you know. That's image," says Lory Roston, whose New York firm, Lory Roston Associates, Inc., helps individuals move ahead through personal public relations. However, Roston does not ignore all the other aspects of image. "If someone needs help with how to dress, we make an appointment with a wardrobe consultant," he says. "But usually, I find the people who come to me know how to dress."

**R**OSTON'S FIRM also provides what he calls crisis counseling, which gives executives a sounding board and advice on handling such career problems as dealing with a new and difficult boss. Now he has developed a course on the social side of business.

"Large corporations, particularly those dealing with representatives from foreign countries, often find their own bright executives lacking in social graces and savoir faire when compared with their foreign counterparts," he says. "My new course will help them to feel at ease in such situations as taking an important client to a French or Italian restaurant." The course, which

will be open to spouses, includes wine tasting and tips on the wine ritual at fine restaurants, a gourmet lunch with instructions on how to read foreign menus, and other fine points that should help any executive uphold the company image socially.

For business people more concerned with making public appearances, the Chamber of Commerce of the United States has been offering Communicator® Workshops since 1977. Although these courses also deal with dress, hair style and makeup, the emphasis is on public speaking and how to deal with the media—from how to do a television interview to how to respond to hostile reporters. Individuals may take the courses in Washington, but the seminars will be held anywhere if a company has eight people to enroll.

Others, like Emily Cho, founder of New Image in New York, and co-author of the book *Looking Terrific*, put greater emphasis on appearance. "About 50 percent is clothes, the rest is psychology and empathy," says Cho, who has a degree in psychology from Cornell University. Cho works only with women, and her clientele ranges from secretaries to cabinet wives and

television personalities. Her emphasis is on developing a personal style within the range that is compatible with a woman's goals.

Cho says career women can wear a variety of types of clothing, but the look should always be professional. "In a business situation," she says, "you want to relay the message: 'I'm in control.' Clothing can help you do this because when you are in control of your image, you come across as being in control of a situation."

For the woman in need of clothing advice, but with limited funds, Cho recently developed a computerized analysis which is available for \$24.95. It will produce an individualized wardrobe plan, based on answers to a lengthy questionnaire.

**W**ILLIAM THOURLBY, author of *You Are What You Wear*, would agree with Cho on the importance of appearing in control. But Thourlby, who works with men, does not think men have a wide range of wardrobe choices and is specific about what should be worn to achieve a desired image [see box]. He became interested in the power of clothing





while he was an actor in Hollywood because he was fascinated by wardrobe-department transformations of blue-jeaned or mod-suited actors into authority figures. So he decided to use studio technology to accomplish such changes in real life.

A firm believer that how you look can change your life, Thourlby isn't saying you can get by on looks alone. However, he says, "Most of the people who come to me have things pretty much together, but need tips on the right look." As an example, he says, "Suppose I'm buying stock and the broker looks just right from tie to socks, but his shoes look rundown or of poor quality. That stock suddenly doesn't seem as good. I want to back off because I think that things are not going as well as he is saying and that he probably needs the money."

Thourlby sums up:

"In today's society nobody really knows anybody—his family and background. We make most of our judgments on appearance and rarely change our minds about a first impression. So we have to try to package ourselves in such a way that we can predict how others will perceive us." □

## How to Wrap the Package For Best Results

"The golden rule," says William Thourlby, author of *You Are What You Wear*, "is to remember that the man who packages himself to turn off the least number of people gets the greatest opportunity." The rule applies equally well to women in business.

To achieve the best look, image makers suggest the following:

### MEN

- Traditional classic suit in good-quality wool blend or wool.
- A white shirt with straight collar.
- Over-the-calf socks, preferably black.
- Wing-tipped laced shoes, preferably black or dark brown.
- Jewelry should be simple and in good taste.
- A leather briefcase; plastic says all the wrong things.

• Regimental tie; knot should look natural, not too tight, and tie must touch the belt buckle.

### WOMEN

- A good-quality tailored suit or dress in a neutral color such as gray, beige, navy or black.
- A blouse or scarf can add a touch of color.
- Hose in shades of beige. Save the colored and decorated hose for cocktail or evening wear.
- The best work shoes are closed pumps or slingbacks. Backless mules, clogs and sexy, strappy sandals are not businesslike.
- Jewelry in moderation: no long, dangling earrings, no bangles or bracelets that make noise and not too many rings.
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# SILVER: Gold Mine For Investors?

By Paul Sarnoff



An American Smelting and Refining Corporation worker casts silver bars.

In *Silver Bulls*, a new book published by Arlington House, Paul Sarnoff, internationally known expert in precious metals and precious-metals futures trading, recounts what happened during the explosive trading of the 1979-80 silver war. He tells where silver went and why, and he attempts to forecast the silver market's future. In the final chapter, Sarnoff explains forces that he predicts will propel the price of silver upward, and he discusses the implications of U.S. dependence on foreign silver and of growing Soviet demand for the metal. Following is an excerpt from that chapter, "The Silver Future:"



Silver mining at the Lucky Friday Mine in Wallace, Idaho.

**W**HILE THE WARS WAGED loudly in the silver pits between the silver longs and the shorts in 1979 and the first quarter of 1980, the rising price of silver raised havoc in many industrial areas.

The greatest use of silver, of course, is in photography, and Eastman Kodak is the world's largest user. Normally the giant cam-

era company resorts to buying hedges in silver futures covering silver it intends to purchase. But with the inexorable rise in price during 1979 Kodak did not enter the futures markets for hedging purposes in the usual manner. And the company did not raise the price of its products until late in 1979 when it became compelled to plan for its silver stockpile for 1980.

Du Pont, a giant chemical company, which has made significant inroads into X-ray photography, managed to use innovation and reduce the amount of silver needed for such applications.

Manufacturers of sterling silverware were damaged the most, in retrospect, because their products normally contain 92.5 percent or more silver, and to pay prices of \$20 an ounce or more would make the place settings of sterling rather prohibitive for newlyweds and young marrieds.

But the rising price of silver created a tremendously effective cash-flow for the old marrieds, widows and widowers, and heirs.

Silverware, flatware, loving cups, track medals, even teeth that contained fillings were taken out of the attic, the cellar and even the mouth, and transported to the nearest silver-scrap collection depot.

The stream of so-called "attic silver" created a silver pipeline that grew daily as the price rose.

Innovative shoppers quickly found that the department stores in many cities and smaller jewelry and gift stores in suburban areas paid scant attention to the silver price in London or on Comex [New

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York Commodity Exchange] and were retailing merchandise made of silver at prices hardly reflecting the rise. One college student purchased all the sterling place settings in a Pennsylvania store at bargain prices, and later, when silver soared, sold them back to the store at much higher prices.

**I**N DECEMBER, 1979, an innovative Canadian discovered that Holt Renfrew, a Montreal-based department store, was advertising gift certificates in the form of one-ounce silver medallions at \$25 each, in Canadian currency, of course, which was then at a discount of about 15 percent from the U.S. dollar. The market price of silver was then about \$24 an ounce, U.S., or the equivalent of about \$28, Canadian, so the medallions were priced about \$3 below their value as silver. "As calmly as I could," said this Canadian, "I bought 20 and then told the clerk I could use some more. There were 167, and I bought them all."

During the next double handful of days he surreptitiously picked up 1,273 from Montreal and Toronto stores. Because he didn't want to arouse suspicion, he managed to enlist friends and relatives to make the purchases, paying them a "commission."

Later he sold off 1,085 of the medallions for prices ranging from \$40 to \$52 and garnered a profit of \$10,552 in Canadian money. The other 355 pieces he decided to keep as a hedge against future inflation.

Since the Hunts [super-rich brothers Herbert and Bunker, whose holdings constitute one of the strongest influences over the world silver market] entered the picture back in 1973 and since the Saudis have been accumulating silver in 1979 and 1980, there can be little question that silver will be increasingly purchased in its various forms as an inflation hedge all over the world.

Last year Franz Pick [gold expert], who has been crying gloom and doom for paper money almost as long as this writer has been in the markets, suddenly decided to pick silver as the best inflation hedge for the 1980s. While his prediction that the U.S. will have to reverse split its paper currency and someday back it with gold—a prediction he has made repeatedly in writings and speeches—is debatable, I cannot help agreeing with him when it comes to silver.

Why will silver's price inexorably rise and gradually overtake the gold price? To answer this it is fitting to

dwell on the current conditions of supply and demand of silver around the world. Ever since 1946 there has been an annual deficit between the number of ounces of new silver that comes from mineral ores and the number of ounces used in the free world.

In the United States, the most silver-hungry nation in the world, we use approximately 160 million ounces of silver a year and mine about 40 million. So there is a supply deficit of about 120 million ounces.

How is this deficit filled? The answer is from scrap, coin melt, silver recovery in photography and other forms of

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## “Why will silver's price inexorably rise and gradually overtake the gold price?”

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recycling. It is also filled handily by purchasing from our neighbors, Canada, Mexico and Peru.

Since Canada produces just about what we do in silver each year—if there are no strikes—and since its smaller population consumes far less, Canada has an annual surplus of silver to sell. The same is true of Peru. That sparsely populated nation, rich in minerals, produces about 40 million silver ounces a year—again when there are no strikes—and uses a sliver of this supply, selling the rest.

Mexico occasionally mints silver coins, and in 1979 boasted it would produce 60 million ounces of newly mined silver. But setting a production target is one thing and keeping it is something else. Mexico came in with about 47 million ounces in 1979.

What country, then, is the world's largest silver producer? The answer is the U.S.S.R.

Last year the Soviet Union mined more than 49 million ounces of silver from secondary ores. The U.S.S.R. is not blessed with the kind of primary silver ores that lie deep beneath the earth in the Coeur d'Alene region of Idaho. Instead, silver is found as a sec-

ondary product in lead, zinc and copper ores.

While many government agencies in the United States are well aware of how much silver the Soviets produce annually, no agency, including the CIA, seems to have thought it important to determine the extent of annual Soviet silver demand.

I estimated how much silver the Soviets use by taking a demographic approach to the problem.

I determined that Soviet citizens have become more and more westernized since Khrushchev banged his shoes on the U.N. table and later “retired.” This westernization includes extensive use of X-rays, even for minor injuries, and a growing interest by Soviet citizens in taking pictures of children, grandchildren, sweethearts, wives, even pets and flowers.

Consequently, there is a growing demand for silver in the Soviet Union as the country gears up for “defense,” using silver batteries instead of lithium chloride substitutes, as we do in our missiles. Silver in the Soviet Union is also increasingly needed for computer and other electronic applications. Briefly, then, since the Soviet population exceeds 300 million, I calculated that they did not use as much as the  $\frac{3}{4}$  ounce of silver per person per year that Americans seem to use. I estimated Soviet usage at about  $\frac{1}{2}$  ounce of silver per person per year, or about 150 million ounces.

Since the Soviets have long since recycled whatever czarist silver and samovars are not in museums, their silver scrap supply has just about disappeared. Granted that a modicum of silver is recovered from recycling of photographic supplies and used batteries, there still exists a significant annual Soviet silver shortfall—and the shortfall keeps increasing.

**T**O MEET their annual silver demand, therefore, the Soviets will eventually have to resort to free world commodity markets, including the LME [London Metal Exchange], Comex and CBOT [Chicago Board of Trade] to hedge against their burgeoning silver needs. Unhampered by the red tape required in the United States for our government to purchase or sell silver intelligently by managing our national strategic stockpile, the U.S.S.R. can execute any plan devised to stockpile silver quietly and efficiently through the Swiss banks and other agents.

It naturally follows that as the Sovi-



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et Union becomes more and more westernized, and as it beefs up its defenses ranging from missiles to computers, its need for more silver will cause upward pressure on world markets.

In the meantime, despite American ingenuity at finding substitutes when the price of a commodity rises above reason, it will be exceedingly difficult to substitute for silver in many critical applications.

Therefore, the 1980s will see an invisible—perhaps someday visible—silver war between the forces of capitalism, led by the United States, and the forces of communism, led by the Soviet Union. The countries that will hold the trump cards in this trade war are Canada, Mexico and Peru.

While it is likely that Canada will continue to supply silver to the United States in such a situation, the same cannot be said with assurance for Mexico and Peru.

Both nations have exhibited occasional political instability and are subject to revolutions sponsored by communism or its agents. Both of these countries normally do business with the highest bidder—and as the Soviets get strapped for silver during the coming decade, they can resort to the same tactics with Mexico and Peru that worked in Cuba.

For example, when sugar traded at about 6 cents a pound on the world market, the U.S.S.R. paid Cuba about 40 cents a pound. No one, of course, knows what the Soviet Union charged the Cubans when they needed goods formerly bought from Americans.

**S**OUTH AMERICAN countries have little regard for such contrivances as the grain embargo ordered by President Carter to attempt to punish the Soviets for setting foot in Afghanistan, a country that had surrendered to them two years before. The Soviets were undeterred. They filled most of their grain needs in Argentina. What the President accomplished was simply to shift the business out of the United States.

Will the Soviets need silver during the next decade as badly as they will grain? I think their needs in this direction are already critical, since they were buying silver during the summer and fall of 1979 in the world marketplaces and could very well return as buyers before the end of 1980.

Some years ago (1973 and 1974) the Japanese needed copper, and their purchases in the markets of London and New York caused copper to climb

to heights rarely seen. When the Japanese stopped buying, the price of copper went into the tank. In 1978 the Soviets entered the lead markets through the LME, and the price of lead, long linked to the price of zinc and trading at about the same level, went bananas. When the Soviets exited from the LME lead market, the price dropped like a stone.

Could history repeat itself in the silver market?

If gold rose to \$1,000 and silver rose concomitantly to trade at the normal 32 to 1 gold/silver ratio that existed for almost 100 years before the silver war of 1979-80, then silver should trade close to the \$32 level.

**F**ORECASTING in many instances is like spitting in the wind. But I sincerely believe that if gold gets to \$1,000 an ounce, the gold/silver ratio will be closer to 20 to 1 than 32 to 1. This will make silver at least \$50 an ounce.

Where would silver be if we give credence to Bunker Hunt's prediction that the ratio will sink someday to 5 to 1? At \$1,000 an ounce for gold, that's \$200 an ounce for silver.

There could possibly be a decline in the prices of precious metals if a U.S. administration did something constructive about stopping inflation. All of us have been unwitting victims of the ludicrous cosmetics of this administration. We have seen it try to stop a worsening cost-push inflation with occasional doses of monetary medicine, twisting up interest rates to destroy the longs in March, then unleashing the money supply when the prime rate collapsed in May after the longs were sold out—only partly, I should say.

In the meantime, the price of silver, like that of gold, will continue to fluctuate, and there will again be opportunity to seek profits in silver from a bullish posture. In the light of the increasing westernization of third world countries and China, I certainly would not ever be short of silver either in futures or physicals.

Imagine what would happen if cameras and film were purchased and used extensively throughout Africa and Asia? That time may not be too far distant, according to some sources. And if this happens, silver demand will again explode. □

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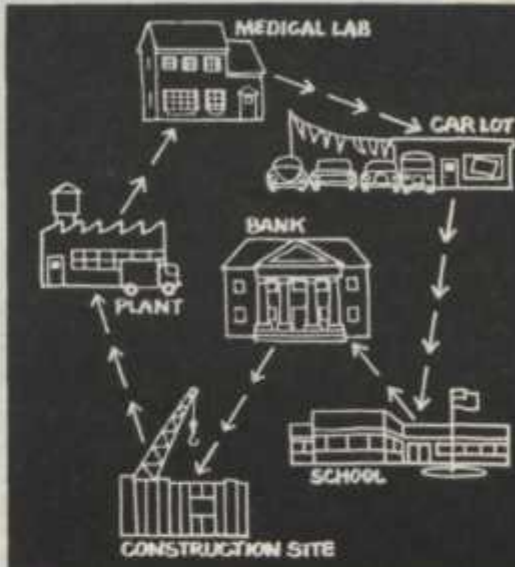
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Houston and other sun belt cities are enjoying rapid growth, but they also are reaping problems, such as jammed freeways.

# Is the Bloom Shifting To the Frost Belt?

By John Hanly Adams

**A** THEORY you'll be hearing more about is that the sun belt states of the South and West are approaching the final stages of a 50-year growth pattern, while the frost belt states of the Northeast and Midwest are on the verge of a comeback, industrially.

That's only a theory, so far. The 1980 census is expected to confirm the continued migration of people and plants to the South and West. The frost belt seems due to lose 13 members in the House of Representatives when final census results are in.

Yet there are some fundamental factors that may take the edge off the sun belt's boom and set the stage for a frost belt renaissance. Some for-instances cited by industrial development leaders and watchers:

- Mathematically, the sun belt is unlikely to grow as fast in the 1980s as in the past because it is working from a larger base. In the '50s, '60s and '70s,

the South and West could show dramatic gains in income and industry because the starting point was low. News of the gains helped build momentum for additional gains. That tonic is going to lose some of its fizz.

- Labor unions are penetrating the longtime sanctuaries of unorganized labor areas in the South. While labor costs still are generally lower in the South, the differential is narrowing. This lessens the pull of the sun belt, in business terms.

- The Southwest, scene of some of the sun belt's biggest gains, appears to be bumping up against water-supply limits. No economically viable solution from regional resources is in sight.

- The sun belt's cheaper-energy advantage seems destined to change as oil and natural gas become scarcer and costlier everywhere. The shift to coal will tend to put South and North on a more even footing.

- The quality-of-life appeal in the

sun belt rings less true as more areas get more like the Northern regions—crowded and tense inner cities, congested highways, air pollution, clean-water problems and rising tax rates.

- Seeing the impact of growth, opponents of change are exerting some drag on the sun belt's boosterism. Environmentalists; politicians at state, county and municipal levels, and many voter groups are starting to add up the costs of new industrial development. They are doing so especially in terms of the added infrastructure required—schools, sewers, streets, police and fire services—which have to be paid for in higher taxes.

- Organized competition, such as the Northeast-Midwest Congressional Coalition, is emerging as a potent force, demanding a change in federal policies that have favored the southern half of the nation over the northern half since the early 1930s.

The accompanying chart summa-



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rizes the economic statistics that show how the sun belt forged ahead of other regions in the 1970s.

Such statistics are several years out of date, but there is no evidence that the trends in the South and West have slowed in the past year or two. And forecasters generally expect the southward migration to continue all through the 1980s.

Based on the U.S. Census Bureau's median forecast for population growth in this decade, the South and West will get about three fourths of all additional Americans in the '80s. Those states got 86 percent of the population increase in the 1970s.

More people mean larger markets and more political clout. But they also mean higher social costs. E. Blaine

Liner, executive director of the Southern Growth Policies Board, is one of those who deplore "media talk" of a "new war between the South and the North." He argues that the truth about industrial and regional development is too complex to be accurately summed up in some catchy comments.

Liner makes a number of points.

"Much of the information currently



## "We Could End Up With Future Detroits"

David Mathews, former president of the University of Alabama, is chairman of the Commission on the Future of the South, located in Washington. The commission is preparing an update of a 1974 report on the South's growth prospects and plans, to be published in early 1981. From an interview with NATION'S BUSINESS:

**Q** What is the general line the commission will take on industrial development in the South and other regions?

**A** One thing to start with is that we have absolutely no interest in developing an approach that favors one region at the expense of others. We are interested in a national policy of balanced economic growth. We have an appreciation for the particular problems of the Northeast and Midwest, and a concern for those of the West. I'd like to discuss our common concerns with these regions under the headings of six points:

1. A national reindustrialization policy. The trend is toward adopting an industry-by-industry rather than region-by-region approach. So if we decide the auto and steel industries need a boost, we'll look for steel and auto plants wherever they are. As in 1974, we will be promoting dispersal of industry, so the South does not get overcrowded and its quality of life isn't ruined—and so we can spread the opportunities for a better life to more areas and people.

2. Capital formation. The South still is a net importer of capital. That is one of our fundamental eco-

nomic problems we have not attended to. Our aim is to figure out a way to keep some of the wealth generated by our labor and natural resources in the South, so we don't have to go hat in hand to other places for capital funds. A part of this is the controversial effort to liberalize restraints on banking across state lines.

3. International trade. Exports and imports are a growing part of the Southern economy. It's new, and not well understood, but the South will have an aggressive and informed position on international trade. We are looking for partners in that trade who will work with us on long-term development, not just short-term gains.

4. Special attention to problems of blacks. Unemployment and inflation plague our black population with undue severity. The commission is particularly sensitive to this.

5. The South's agribase. The backbone of the Southern economy still is its agriculture, and every consideration will be given to keeping our agricultural sector healthy through adjustments as needed in tax and land-use policies.

6. Education. Economic growth rests on education. The South still has a long way to go in education. We are net importers of talent in advanced-degree education. Major improvements are needed, from the vocational school to graduate school levels.

**Q** There is a theory that the sun belt boom is losing steam—

**A** I don't have any statistics ready

at hand, but it stands to reason that economic growth curves flatten out. The lesson of history is that progress is not permanent. What the South must do now is to make certain its economic development does not rise and fall precipitously, as in the past.

**Q** Maybe in the '80s the South will find it still is attracting more and more people, but slowing in the industrial growth to support those people.

**A** A lot depends on the character of the industrial growth that we get from now on. One hypothetical scenario is that the South and West, as developing regions, would continue to get current-level industrial technology that we would enjoy for a while—but only for a while. If in the meantime the rest of the country is reindustrializing with new technology, the sun belt could find itself way behind.

**Q** Could you be more specific?

**A** Look at the auto industry, for example. There is a case where our present industry is not competitive internationally or even in its home market, because its facilities and products and technology have been geared to the past. If the South and West fail to get their share of new-style technology, we will be like the British colonies that got outmoded textile spinning equipment from the mother country. We could end up in a few years with future Detroits. That is not going to happen if we can help it. □



being passed out about regional development is terribly misleading," he asserts. "In 1940, the South in every economic sector—employment, income and so on—was far behind the rest of the nation.

"In 1980, things are very different, but you need to discuss the situation on a county-by-county basis. Some areas have made enormous progress. But

many have been bypassed completely by this industrial boom so far.

"The Northeast and Midwest have their troubles, but they also have very healthy growth centers. The current recession has hit the South just as hard as the North.

"The fact is that the Northern regions are mounting an effort in Congress and elsewhere to spend vast

amounts of money to refurbish their depressed areas. So in the 1980s, those centers may well emerge as more attractive places to work and invest. The South does not have the resources for an effort on that scale—but you may see some overhauling of our basic industrial plant, as we strive to step up into higher-technology industry."

For a look at trends from a very



## "Very Basic Things Are Happening"

Rep. Robert W. Edgar of Pennsylvania's Seventh District (southwest of Philadelphia) is 1980 chairman of the 18-state Northeast-Midwest Congressional Coalition. In this interview with NATION'S BUSINESS, the Democratic congressman tells why he thinks that the frost belt can make a comeback in the 1980s.

**Q Are the Northeast and Midwest still losing people and plants to the sun belt states?**

**A** We are clearly losing population and some industrial plants, but we don't think the loss of industry is that much of a problem. Through research, we have learned that the real problem is that we are not attracting new growth. We do not get enough entrepreneurs—the small firms with 20 to 100 employees that form the bulk of new industrial growth.

**Q Why can't you attract new growth companies?**

**A** Root causes are higher taxes, higher land costs, higher labor and energy costs, plus the deterioration of our older central cities in both infrastructure and services.

Then there is our image burden. We bear a heavy symbolic curse, as an out-migration—loser—region. It's big news when a major plant closes down and moves south.

**Q Do you see any specific signs of these trends changing?**

**A** Some very basic things are happening that will bring a profound shift by the end of this decade.

First, prior to 1976, when the coalition was born, there were no effective efforts in Congress to attack our regional problems. Our coalition's efforts have borne fruit and helped change that. Nor were there a governors' coalition, a New York Partnership or similar efforts at the state and city levels.

Second, public policies are beginning to change in response to our educational campaign.

For example, at the federal level, the rehabilitation tax credit is a giant tool helping our cities and towns to refurbish rundown factories and commercial centers; the targeted jobs tax credit, though criticized in some respects, is helpful; targeting federal buildings for inner cities is helping to slow the march to the suburbs that created some of our distress, and new investment in public transportation, and relatively less emphasis on highways, is helping to restore the essential rail channels for productive enterprise in Philadelphia, New York, Boston, Pittsburgh and other places.

Third is what I like to think of as a kind of guerrilla warfare action. We have an army of people now trying to change public policies so the federal government stops hurting us, and so state and local governments start helping the region more intelligently and forcefully.

All of this is bound to bring a turnaround. But undoubtedly it will be a long process.

One other point: The energy crisis gradually will begin to benefit our area, in the sense that as the cost of gasoline rises, the value of centralized urban areas will increase.

**Q Are you optimistic?**

**A** Our hope is that we can stimulate a healthy sense of regionalism and get our regional acts together. We have plenty of weaknesses within our own ranks. We can learn a lot from the South—how the Southerners improved their situation relative to the rest of us, despite difficulties. One of their big successes lay in building seniority for their leaders in Congress, who occupied most of the committee chairmanships.

**Q Can you cite any specific economic trends that would support a thesis that the bloom is off the boom in the sun belt?**

**A** Two things occur to me.

One is that you see signs of an equalization of labor costs; the unions are beginning to show more interest and muscle in organizing down there, and that will bring up Southern wages.

Second, there is the growing water crisis in the Southwest. There is a great semi-arid area out there that cannot sustain the kind of growth in people and industry that has flourished in the last 20 years. And water policies of the federal government, based in large part on pork barreling, are not going to promote growth in water-deficit areas as in the past.

The shift is, gradually, toward sound management principles. The federal government has had a whole series of policies favoring the rural Southern and Western regions. Massive highway programs, for example. That kind of federal bias is beginning to be reduced. □



## How the Sun Belt Bloomed In the '70s

Data for 1970-77:	South	West	Northeast	Midwest
People	+11.6%	+10.7%	+0.9%	+2.2%
Income per person	+89.8%	+82.7%	+70.3%	+82.3%
Manufacturing jobs	607,100 +12.7%	351,700 +11.5%	681,100 -11.5%	61,300 -1.1%
Service jobs	1,167,200 +42.2%	1,071,900 +40.9%	683,000 +19.3%	760,200 +30.5%
New capital equipment investment ('70-'76)	+131.2%	+95.8%	+43%	+62%

In all basic growth indicators, the South and West through the 1970s made much greater gains than the rest of the nation. The 1980s may see the slowing of sun belt gains and the start of a Northeast-Midwest comeback.

Source: *State of the Region*, published by the Northeast-Midwest Congressional Coalition.

practical point of view—that of the industrial realtors who arrange the sales and purchases of land and buildings for developers, NATION'S BUSINESS talked to Lester E. Lehman, Jr., of Newark, N.J., president of the Society of Industrial Realtors, and Donald Tofias, an industrial realtor from Boston.

**M**R. LEHMAN: "The sun belt-frost belt tension is very real. We are losing plants here in the Northeast because of high unionization, obsolete facilities, the South's weather draw. Many major corporations have moved south of the South, into Mexico itself, looking for cheap labor.

"One of our biggest problems may surprise you. It is lack of product: There is a shortage of up-to-date industrial facilities. That is the aftermath of the 1974-75 recession, when developers got so badly burned that they decided not to take chances on anything except office buildings. The result is that good used properties in this field of industrial development are bringing premiums in price over what you would expect. The biggest problem of all, however, is the growing interference with development projects from government regulations at all levels. Those regulations are killing us."

Mr. Tofias: "I don't think there is a 'war' between the Northern and Southern regions, although there certainly are instances where factories leave the North and go where something is more attractive: better labor,

cheaper power, better weather. But a lot of relocation is simply a case of manufacturers adjusting to the explosive rise in gasoline and other transportation costs. You're going to see more of that, and our part of the country will benefit. After all, 30 percent of this nation's population lives along the Route 95 corridor between Washington and Boston.

"Measured in percentages, the South's gains look great, but measured in square feet of new space, the Northern regions are growing, too. We are replacing old buildings with modern one-story warehouses, factories and other facilities. A more subtle development is the inflow to the Boston area, for instance, of some high-technology operations such as medical instrumentation and minicomputer manufacturing. That kind of thing requires very skilled executive supervision. You won't find that in the cheap labor areas, generally. And our traditional New England cultural and life-style attractions are helping to hold the high-technology types. That is our best bet for the future."

One of the wild cards in the regions' poker game over industrial development is the shape and extent of federal intervention in the future.

That there will be more "feds" involved seems likely, though the thought is widely deplored by those active in industrial development.

Northerners have served notice that they are out to change what they consider an unfair bias in federal money

flows. They have won some early skirmishes in Congress. The Northeast-Midwest Congressional Coalition has issued several reports, and plans more, along the lines of a statement released August 24. It said the coalition states paid \$165 billion more in federal taxes from fiscal year 1975 to 1979 than they got back in federal spending.

So it is taken for granted that Congress is going to be writing more legislation with regional development hookers imbedded in the details.

**A**S PART of its tax-cut-and-reindustrialization program, the Carter administration in September set up an Economic Revitalization Board and proposed a new economic development authority. Republicans in Congress are active, along with Democrats, in regional pressure to support measures aimed at spurring industrial development.

One of the major objectives will be to mobilize capital for re-equipping industry, probably through some new agency armed with banking and credit-granting powers. And a way will be sought to tap the vast sums accumulating in pension funds.

All of this is viewed dimly by Robert E. Boley, executive vice president of the Society of Industrial Realtors:

"It disturbs us to think that federal assistance—in the form of tax abatements and grants or whatever—apparently is to be extended to any industry in trouble. In all the recent mouthing around on this topic, there is a strong smell of centralized government economic planning. And that just never works.

"Who can play God and decide what industry or plant should be saved and which should be allowed to die? Fifty years ago a planner undoubtedly would have extended aid to the makers of buggy whips. It wouldn't have helped; it just would have slowed the inevitable readjustments and made them more costly for all concerned.

"All of these ideas—special aid, restraints on plant relocations, increasing regulation on all kinds of businesses—can backfire on the very people they are supposed to help. Industrial development, above all, needs to be free to respond to new technology and new public tastes."

That's the challenge facing both the North and the South, as they enter the 1980s: How to recapitalize their industries and worn-out public facilities, so they can survive and prosper into the 21st century. □



# Our New Seafood Parks

IN COMMUNITIES scattered along the seacoasts of America, a quiet revolution is under way. It's a revolution brought on by forward-looking men and women in government and the private sector who believe that America's commercial fishing industry can be a more significant factor in the nation's economic life. In some places, like Newport News, Va., seafood industrial parks, as they are called, are being built that provide every conceivable service required to handle a catch from the time it's brought ashore to the time it's sent to market. The industrial parks are being built with federal, state and local government funds. In other locations, less ambitious programs are under way to improve America's fishing fleet and its support facilities.

Last year, according to the Fisheries Development Division in the U.S. Commerce Department, America suffered its largest seafood trade deficit in history—\$2.8 billion. While exports of \$1 billion were up over previous years, demand rose as well, and America imported \$3.8 billion worth of fisheries products.

And that was despite the Fishery Conservation and Management Act of 1976, which created a 200-mile fisheries conservation zone off the U.S. coasts in which foreign fishing is permitted only when domestic fishermen cannot adequately harvest the resource. Commerce Department figures show American fishermen have been catching only about 30 percent of all seafood consumed in this country.

Part of the problem has stemmed from extensive fishing operations in U.S. waters—often within sight of the mainland—by fleets from the Soviet Union, Japan, Italy, Spain and elsewhere before passage of the 1976 law. In effect, we were importing our own fish, and that's why the 200-mile fishing limit was enacted.

But the heart of the problem, according to one expert, Stanford Beebe, is that the U.S. commercial fishing industry has had inadequate, and in most cases antiquated, plant to handle a significant catch and hold it for distribution as demand dictates.

Beebe is director of the marine resource program for the five-state

Coastal Plains Regional Commission in Charleston, S.C. His job is to manage a program that is seeking the improvement of commercial fishing port facilities in Virginia, North Carolina, South Carolina, Georgia and Florida. The commission is one of eight regional development organizations nationwide

established by the Public Works and Economic Development Act.

What's needed, Beebe maintains, are centralized facilities for the commercial fishing industry—including adequate freezer capacity, haul-out equipment, modern fuel and ice outlets, dock space, off-loading capabili-



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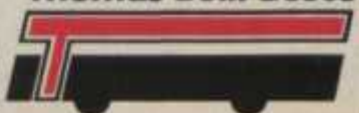
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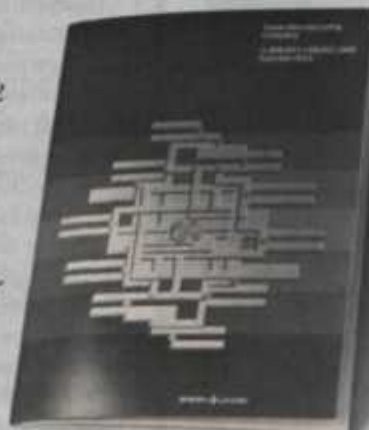
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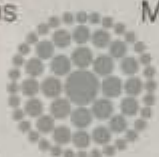
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ties, and waste disposal and processing operations.

Recognizing this, the U.S. Commerce Department's Economic Development Administration (EDA) and the National Marine Fisheries Service are working with state and local governments to provide funding for studies, engineering plans and construction.

Harold W. Williams, deputy assistant secretary of commerce for economic development, points out that EDA has been funding the traditional type of industrial park for years.

"The seafood industrial park fits right in," he says.

**P**LANNING for the Newport News Seafood Industrial Park began six years ago, when the Coastal Plains Regional Commission named a committee of marine experts to make recommendations on what needed to be done to make the commercial fishing industry more viable in its five-state region. As a result, plans were launched for a centralized facility.

The site selected was a municipally owned harbor that had deteriorated, as have many others around the nation. It includes about 40 acres of industrially zoned land surrounding the harbor.

Then, in 1978, the Newport News Division of Commerce received a \$50,000 grant from the Virginia Marine Resources Commission and the Coastal Plains Commission to study the feasibility of turning the harbor into a seafood industrial park. That grant was supplemented with about \$100,000 in federal funds.

In 1979, the Newport News City Council approved a master plan.

According to Douglas A. Harbit, administrator of economic development for Newport News, the improvements include some 7,000 feet of new bulkheading and creation of a 2,500-foot breakwater to protect a complex of new docks providing 5,000 feet of berthing facilities.

Of the total \$25 million needed, the state Highways and Transportation Department is providing at least \$9 million for bulkheading, dredging and the breakwater, Harbit says. And EDA has provided a \$1.2 million grant to help finance the first section of bulkheading inside the harbor area. The city has approved a \$6 million bond issue to begin its share of the project, due to be completed in 1983 or 1984.

Harbit told NATION'S BUSINESS that before the park was initiated, the harbor employed about 750 people. Upon completion, he said, it will employ



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German, Japanese and English versions of the current, comprehensive industrial development reference on Mississippi also available from William T. Hackett, Jr., Executive Director, Department of Economic Development, or James W. Miller, Manager, Industrial Development Division, Box 849, Jackson, Mississippi, 39205. Dial 601-354-6700.

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some 3,600. Employment is increasing faster than anticipated. It had risen 500 by this fall, against a projected increase of 300.

A major reason for the success is the leasing policy established for the park, which will assure that it contains a balance of primary seafood industries and necessary support facilities to provide ice and cold storage facilities, marine electronics and boat repair, and fuel oil for the trawlers.

Beebe points out that when the shoreside facilities needed to support substantial fishing fleets are provided, buyers are attracted. That, in turn, provides a ready market for the catch and makes high-volume production possible, he says.

Establishing the necessary freezer storage capacity, he explains, makes possible the kind of volume that is required for seafood exporting.

Harbit explains that prime industrial waterfront property at the Newport News Seafood Industrial Park can be leased for up to 40 years and that all shoreside improvements are designed and financed by the business investor or lessee. Would-be lessees are carefully screened to assure maximum development of the park.

Beebe notes that government is putting together an infrastructure for the fishing industry comparable to the airports that were built to aid airlines.

**O**THER SEAFOOD industry development projects include:

- A similar, although smaller, facility at Wanchese, on North Carolina's scenic Outer Banks.
- A new harbor facility in the Port Royal area of South Carolina.
- A new complex at Brunswick, Ga., which—as in the case of Newport News—will make a viable finfishing industry possible where once the emphasis had largely been on shellfish.
- A Crescent City, Calif., project backed by local bonds and EDA.
- Rebuilding of piers and onshore fish processing facilities at Gloucester, Mass., and rehabilitation of the Boston fishing pier.

According to the Commerce Department, it all means that one day America's commercial fishing industry will be making it—in a big way. By 1990, government analysts say, the growth of the domestic fisheries industry and of seafood exports could substantially benefit our economy, reducing our trade deficit by \$1.5 billion and providing some 40,000 new jobs. □

—Bob Gatty



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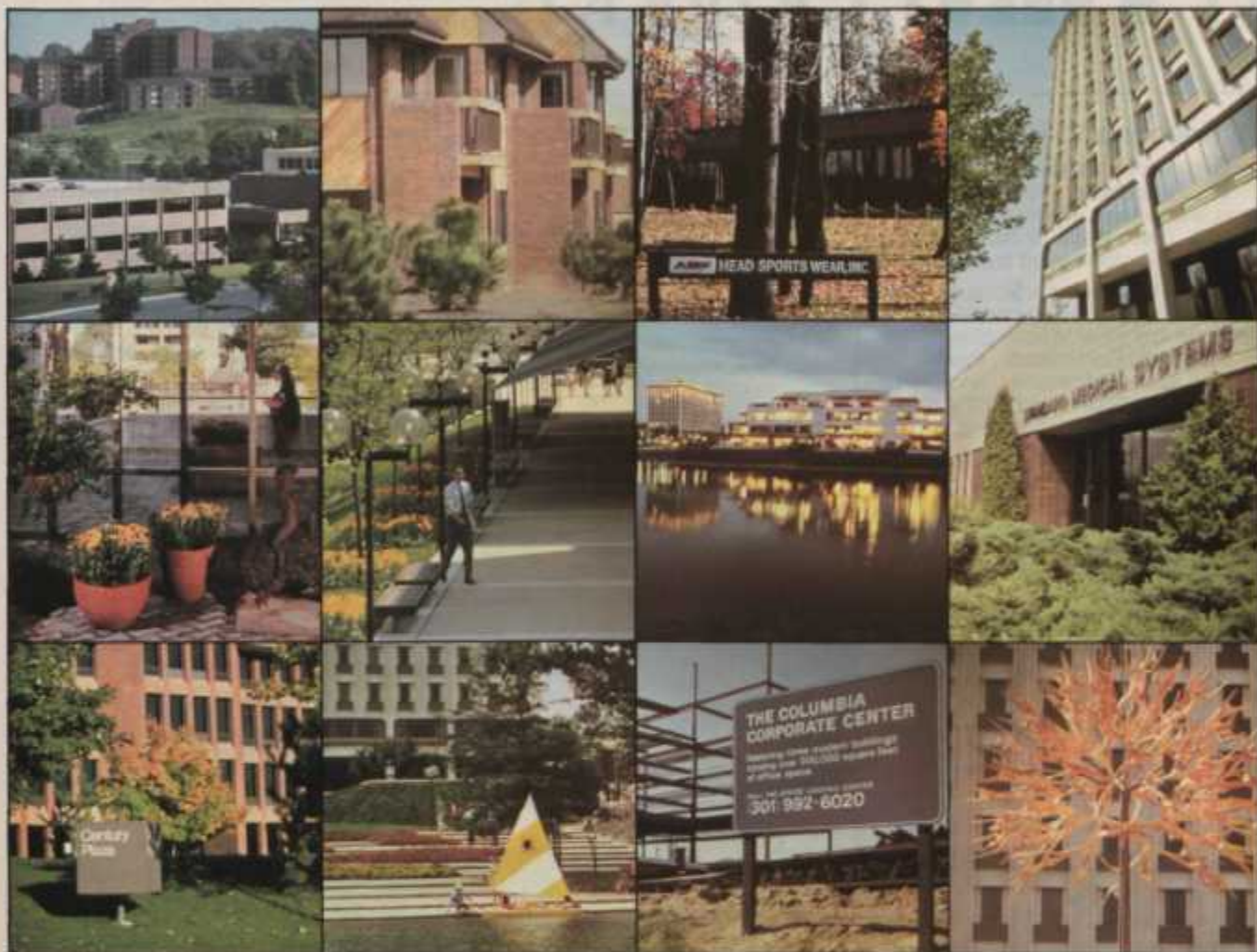
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## Look at Columbia, Maryland.



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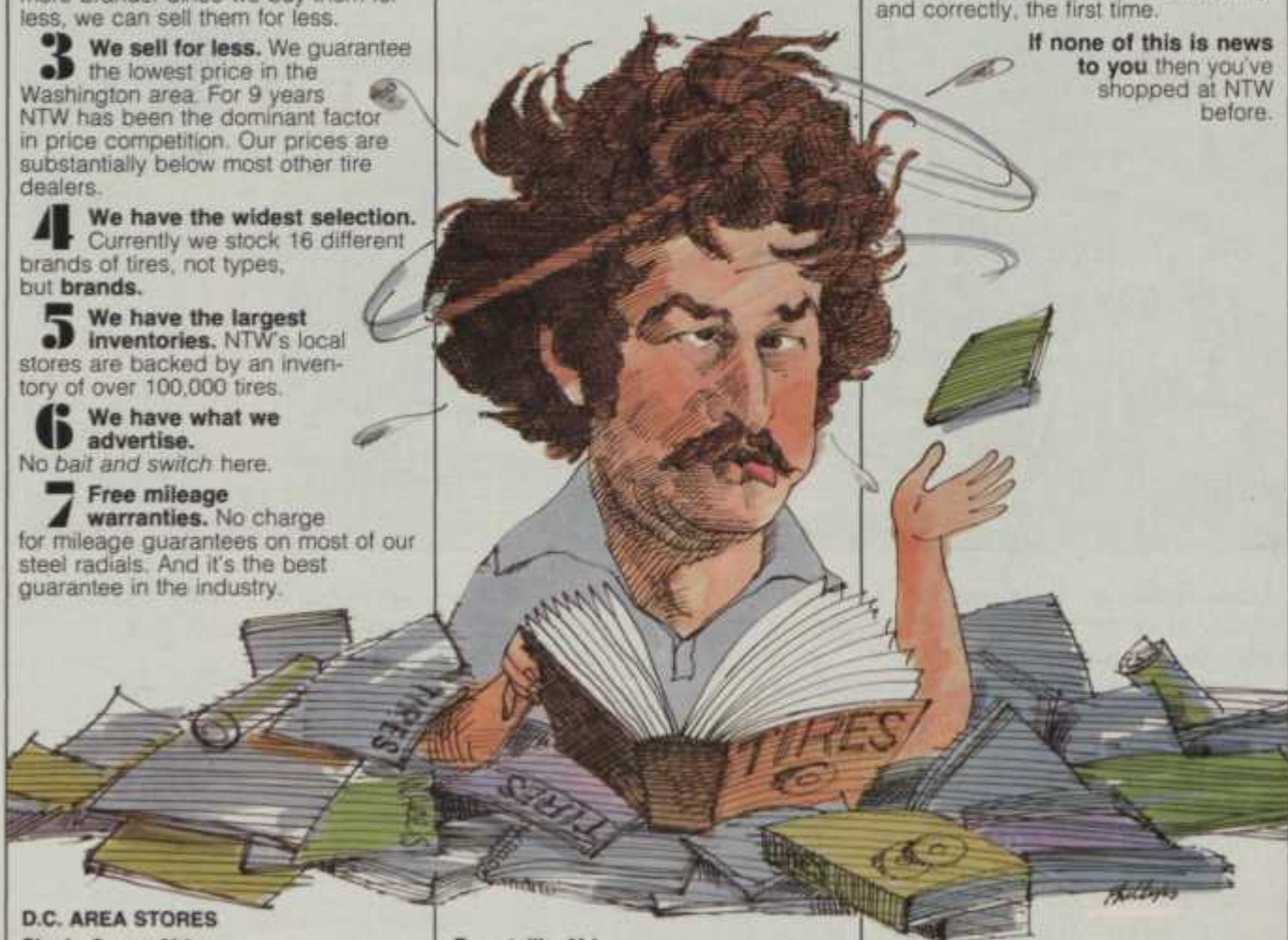
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We've waited too long for others to step in and get things back on course. Now it's up to us—individuals, state or local chambers of commerce, companies, trade and professional associations. The action steps needed are spelled out in the U.S. Chamber's new program. Send for your copy and together, "Let's Rebuild, America."

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**LET'S REBUILD, AMERICA**

**IN THE 80's**



# Jimmy Dean Makes Sausage Sing



Jimmy Dean has a lot to smile about as he relaxes at his corporate headquarters in Dallas.

**V**ETERAN country singer Jimmy Dean, successful sausage manufacturer recently turned restaurateur, also dispenses food for thought over the airwaves.

In a series of 30-second commercials on radio that are only faintly commercial, he has discussed topics including government spending, the U.S. Postal Service, the medical profession, welfare, auto mechanics, the Internal Revenue Service, the telephone industry and the Organization of Petroleum Exporting Countries.

The first commercial—back in October, 1979—was prompted by Dean's discovery that a letter he had sent air-mail from Dallas to New York had taken 10 days to get there. "I said, 'Now that is not right. That is bad news.' So I sat down and wrote about the mails. Then I said, 'Now wait a minute, that is not all I'm ticked off about,' so I pro-

ceeded to take on about a dozen other problems, and I had a lot of fun writing about them."

The radio spots have been broadcast in 285 cities, and Dean, 52, says he has received a tremendous number of letters as a result—most of them very favorable. "A lot of people apparently agree with me. The general attitude of the public seems to be that it's something they wanted to say, but they didn't have an avenue. A station in Memphis told me their number one request is Kenny Rogers' song, 'The Gambler,' and the number two is my commercial." The radio spots are sponsored and paid for by Dean's Dallas-based sausage company but include no pitch for the sausage, although they say at the end who paid for them.

Sharply critical of the country's welfare system, Dean recalls his own childhood in Plainview, Tex., when he

went to school in shirts made of sugar sacks and his mother refused to take donated clothing offered by the WPA because it would be a sign of giving up. "What," he asks, "have we done in this country to destroy that kind of pride? We have built a muddle of mediocrity, of people content to drift with the tide, thinking that somebody or something is supposed to take care of them. The good book says that you will earn your bread by the sweat of your brow, and I believe that."

He also practices what he preaches and keeps very busy himself. The type of work has changed a lot since his boyhood, when, he recalls, "If I ran around with my hand out, somebody put a pair of posthole diggers in it."

The change began about 35 years ago in Washington, when a GI quartet, playing in a local night spot, asked him to join them with his accordion be-



Tax laws encourage businesses to seek all the deductions available to them. Deductions that can save you, the business owner, and your employees significant amounts of money. These deductions are granted to companies whose executives have a program that provides retirement benefits for themselves and their employees through a qualified pension or profit-sharing plan.

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cause their fiddler was sick. That launched Dean's country music career. He soon went to New York to do a network television show for ABC, and also began making nightclub appearances around the country and making recordings (his biggest hit: "Big Bad John," in 1961). "All the other things I'm doing are going fine," he says, "but I'm a hambone. I enjoy getting out there. I do it now more for me than anything else."

Foremost among those other things is the Jimmy Dean Meat Company, Inc., a family-run operation that he took over about a year ago. The operation kept him so busy that he spent about 75 percent of his time in the sausage business last year. This year, he says, he would like to spend more time entertaining in the Midwest and doing longer engagements at one of his favorite spots, the Nugget in Sparks, Nev., where "they pay me more than I'm worth." He also runs Jimmy Dean International, which designs and markets a collection of pigskin accessories and jackets under the label "Pigskin by Jimmy Dean."

**J**IMMY DEAN RESTAURANTS are his latest enterprise; the first has opened in Columbus, Ohio. "This restaurant has just taken off like you wouldn't believe," says Dean. "I don't know how long it will go on like this, but if what we have seen so far is indicative of what is going to happen, it is a real bona fide winner."

And if the success continues, he will open branches in other cities. His restaurant business "goes hand in hand with the sausage business," he says, and sausage is featured for all three meals on each day's menu. Other favorites in the restaurant's all-American style family fare: barbecued ribs (\$4.75) and strawberry shortcake (\$1).

Although the restaurant is barely off the ground, Dean is elated by its success. Putting his custom-made Leddy boots up on his desk, he leans back and says: "This restaurant business is kind of fun."

But Dean's real profit center is the sausage business, so he is leaving the day-to-day operations of the restaurant to others. "I think I have delegated responsibility rather well," he says. "I think the secret of anything is the proper delegation of authority, and then putting in good people. I've always operated on the theory that where I'm dumb, I try to hire the smartest guy I can find. I'm still smarter than he is; he is working for me." □



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# Tips If You're Tapped To Raise Funds

By Williamson Day

WILLIAMSON DAY, a member of Ford Motor Company's corporate public relations staff, has written articles that have appeared in a number of magazines and has contributed material for college and university textbooks.

**F**OR THE first time in his career, a company vice president who had built his reputation as a can-do manufacturing expert was stumped.

"I can do a lot of things," he said recently, "but I can't raise money. I just wouldn't know how to go about it."

He isn't alone. As an increasing number of top managers will tell you, raising funds for charitable and civic purposes is one of the most difficult volunteer tasks they face. Yet business is continually called upon to pass the hat and rattle the cup for organized charities in the community or for national organizations that depend on contributions and volunteer leadership to stay alive.

Corporate philanthropy is the fastest-growing source of funds for American nonprofit organizations. Not only that, but more members of company managements are soliciting funds than ever. One of the important qualifications for being a top manager frequently is the ability to attract revenue for a cause deemed important by your boss or your community.

How do you wrestle with the challenge—and risk—of fund-raising? Is there a pattern, a methodology? Patently not, say most professional fund-raisers, but certain principles fall into place in almost every fund-raising campaign. Here they are:

**Sell Your Product.** Look upon the fund-raising campaign as a sales and marketing campaign with sales targets, markets, budget, research and market testing. In the final analysis, developing a product, albeit an intangible one, and selling it aggressively are what fund-raising is all about.

Start by taking a candid look at your product—a service organization, a health group, a community resource—and decide whether there is anything beyond superfi-



cial appeal. One businessman in Atlanta, nationally known for political and charitable fund-raising, says, "You've got to make your cause just a little bit more important than the others, worthy though they may be."

If, at the outset, the product is not superior, take the time to make it so. Reorganize the board of the charity, develop a better system of services or change those things that will trigger turn-downs. Effort at this juncture will be the best investment you can make. And if the organization can't or won't change, don't take on the fund-raising responsibility.

**Publish or Perish.** Fund-raising—selling—is communicating information that will give a prospect the rationale for contributing. National fund-raising campaigns rely heavily on films, slide presentations, brochures and pamphlets. Prospects expect such information, and not having it puts a fund-raising campaign at a disadvantage. One of the most successful corporate fund-raisers developed an 80-slide presentation for his charity, a little-known organization that had never launched a national campaign. By showing slides of the organization's proposed programs and facilities, he gave potential contributors a concrete concept of the investment he was asking them to make. Invariably, the feedback was positive. "I had no idea of the extent of that group" and "That's exactly what I needed to know to justify the contribution" were typical reactions.

**Sisyphus and the Rock.** Like the legendary Sisyphus, doomed to push a boulder uphill only to see it fall again, fund-raisers sometimes don't know where to get started.

Shall I hire professional fund-raising counsel? Shall I rely on the staff of the charity? Shall I assem-

ble a volunteer brain trust and go from there? The answer probably is to do all of the above.

Professional fund-raising counsel, represented by the American Association of Fund-Raising Counsel, Inc., are most helpful to groups that lack a track record of attracting funds. Some professionals will organize your campaign, develop a market research study to identify areas of support, develop your "case" for you and then manage your volunteer staff. Others will provide only some of those services. But all professionals can give amateurs confidence. Because they know the principles, professionals can tell you what ratio of gifts to prospects you can expect (usually one gift for each four prospects), what the gift tree needs to look like (one leadership gift should represent 15 percent of your total goal) and how to conceive your campaign (obtain the most money from the fewest sources).

Such principles are recited by Robert J. Simonds, vice president, Ketchum, Inc., Pittsburgh, the nation's largest professional fund-raising firm. "The principles bubble forth in what I call Simonds' seminars," he says, "and they work."

Pros will also hold your hand, figuratively. "Finding yourself losing some sleep?" says one with a smile. "I know. I've been there myself."

Whether or not your group decides to hire a professional fund-raiser, you should interview several professionals before making the decision.

One year Thomas A. Murphy, chairman of General Motors, agreed to lead a volunteer effort only after a professional counseling firm had been hired. Top executives used to professional advice in their own companies feel more comfortable with comparable advice in fund-raising.

**The Brain Trust.** Even with professional help, with a proven record of success in the organization's past and with other factors in your favor, a necessary first step is assembling a group of volunteers who can bring their specialties to bear on your sales campaign.

Financial analysts and accountants will help you develop a "giving guide," perhaps patterned after the United Way's "fair-share percentage" of corporate sales or profitability.

Public relations experts will develop the case statement, a brochure that states the case for your product or service. And advertising specialists can provide the marketing guidance to market test your organization's appeal before you cast your case in concrete.

This volunteer team should meet often during the formative stages of the campaign; later, if the team's work has been done well, there is less need for regular meetings.

Lawyers are not usually required in the task force, but legal advice should be available. A number of regional organizations that embark on national fund-raising are unaware that 37 states require registration of charities with their secretary of state or state attorney general before soliciting. This is not true if fund-raising is confined to personal letters between chief executive officers (such correspondence is privileged), but mass mailings for funds generally require registration. Ironically, some states insist that fund-raisers tell prospects the organization is registered, while other states insist that you *not* tell prospects. It pays to know which is which.

**Qualify Your Charity.** There are two major organizations that certify whether a nonprofit organization meets generally acceptable fund-raising standards: the



Philanthropic Advisory Service of the Council of Better Business Bureaus, Inc., in Washington and the National Information Bureau, which is headquartered in New York. Both organizations ask charities to complete questionnaires on their purposes, methods, percentage of revenue devoted to program outreach, management and regularity of meetings. Some national charitable organizations don't meet the standards of these rating groups because their boards boast prestigious, but absent, directors. Some organizations have branches or chapters throughout the country that depend too heavily on telephone solicitations, mailings of unordered merchandise or other approaches that may not fully disclose their purpose or sponsorship.

Sophisticated prospects will check with the rating groups before making a contribution. It is surprising how many nonprofit organizations cannot meet the ethical soliciting standards of the Better Business Bureaus and National Information Bureau. The Boy Scouts of America, for example, clearly meets them, but a well-known religious charity does not. Make certain the organization you are soliciting for does.

And make certain that your Treasury Department ruling under 501 (c) 3 of the Internal Revenue Service Code is included with your solicitation material. Prospects often refuse to take it for granted that contributions to your organization are tax-exempt.

Remember that contributions officers in corporations and elsewhere are putting their professional judgment on the line each time they recommend a gift to their senior management; your job is to give assurance that your charity is forthright and open in every way.

**Punt, Pass and Kick.** Fund-raising campaigns draw on that overworked bromide, the kickoff, to launch solicitations. And, given the rules of the fund-raising game, perhaps the football analogy isn't bad. Whatever you call your launch, try to make it impressive. Find the star in your lineup and make him quarterback. Is it your board chairman? Is it a civic leader? Is it a

politician? One of the truisms of raising money is that people give to people as much as they give to causes and programs. A recognized leader will attract press attention, encourage volunteers to work assiduously and make prospects review your request.

To lend momentum to your drive, try to have something in the hat before your kickoff. Ask some of your better prospects to give advance gifts. They will be the most cost-effective gifts you will get. Go after them early.

Professionals will tell you that your campaign literature really is not de-

ber of mail solicitations that succeed is small. Mail soliciting is expensive in relation to results, and it requires specialized lists of prospects and an intimate knowledge of narrow markets where sales are likely.

In most cases, the better approach is to develop a personal contact campaign, one in which volunteers talk cheek-by-jowl with prospects. Or at least talk by telephone. It's easy to say no to a letter. It's harder to turn down someone in person.

One West Coast board chairman keeps the names of prospects on cards in his wallet and approaches them after business meetings. Occasionally he forgets his cards and solicits another's prospect, to be sure, but the result is a personal approach that works.

The personal touch also uses the hallowed cumshaw principle, the mutual back-scratching that finds companies and prospects giving gift for gift. After all, most charitable campaigns are worthy and, at one time or another, should be honored.

One of the missteps made by some who volunteer to lead fund-raisers is an unrealistic assessment of the personal time required. Unlike some corporate duties, fund-raising requires a sizable measure of a manager's personal time. He needs to show his commitment, and that generally translates into being present at meetings, seeing prospects and calling others. Some responsibilities in fund-raising simply cannot be delegated.

You can get there from here. You can take a formidable dollar goal and obtain it, particularly if you approach your campaign in a businesslike way. And when you are through, you will have a sense of satisfaction unlike what you derive from many other activities. You will have given something to your community.

But keep in mind that nothing worth having comes quickly or easily. In the words of Daley's Law, coined by Washington consultant John Jay Daley, "Everything takes longer and costs more than your closest estimates said it would."

□



signed for prospects but for volunteers.

"It's to ginger the troops," says Henry Goldstein, president of The Oram Group, Inc., New York. If that's the case, the kickoff meeting should show your volunteers the advertising and promotion behind the drive, explain the care that went into planning and, above all, illustrate that the gifts they are seeking are based on real-world, reasonable expectations. No miracles needed here; simply maximum participation by prospects, each giving his share.

**Go Thyself.** A number of well-meaning amateur fund-raisers say that a well-conceived letter-writing campaign will yield results. They have in mind, perhaps, some of the legendary mail-order solicitations popular with political parties or mass merchandisers. Unfortunately, the num-



To order reprints of this article, see page 58.



# 10 New Businesses Sweeping The Country

Most Have Tremendous Potential and High Profit

## Salads Only Restaurant

Here's how you can turn lettuce into the green stuff that folds in your wallet! The timing is perfect for this kind of specialty restaurant nearly anywhere in the country. Millions of people are health and diet conscious. The phenomenal boom in natural foods and additives contribute to your success. People are willing to pay from \$1.50 to \$4.50 for a make-it-yourself salad that costs only pennies to make! The profit margins are tremendous. A salad restaurant in the 90 to 120-seat range should gross from \$250,000 to \$500,000 a year and net 25 percent.

Manual #118 Price, \$35.00

## Do-It-Yourself Auto Repair Shop

This is truly one of those rare, recession-proof businesses. In fact, it will probably be more successful during the recession than after! With skilled labor rates approaching \$30 per hour in many areas, people will beat a path to your door to rent your tools and space to fix their own cars. Every operator we spoke with, all across the country, is doing phenomenal business. Most are so profitable they stay open seven days a week. We've researched the flaws in existing operations and give you the benefit of their mistakes. The field is wide open to newcomers, and you can get into this lucrative business with as little as \$5,000.

Manual #25 Price, \$29.50

## Plastics Recycling Center

Here's a way you can help solve the ecological nightmare that scrap plastic creates, serve your community, and make a fat profit at the same time! Be a recycler! Plastic is everywhere—in every household and business in America. Plastic is never-ending problem for municipalities because it is not biodegradable. That makes for the beauty of this business—you get most of your scrap free! The average small recycler collects about a half million pounds of scrap the first year and grosses \$100,000 or more from sales. It's a great absentee-owner business you can get into with very little \$\$.

Manual #122 Price, \$29.50

## Here's What The Mayors and Media Say About AEA:

**MAYOR EDWARD KOCH, NEW YORK:** "... an invaluable tool to every small businessman in New York City, and we welcome this unique program to assist entrepreneurs."

**MAYOR MAYNARD JACKSON, ATLANTA, GA:** "This organization [AEA] will seek to strengthen the small and minority business community in our city and throughout the nation... and I urge our citizens to recognize their work."

**PHILADELPHIA INQUIRER:** "... experts cover every phase of business start-up and operation..."

**CHICAGO NEWSPAPER:** "... first-hand knowledge of the problems and opportunities of independent businessmen."



Boston Mayor Kevin White presented proclamation to AEA Director Chase Reisel which recognizes the efforts AEA has made in behalf of small business.

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## 10-Minute Oil Change Shop

Make a lot of money by saving people a lot of time. The opportunities here are wide open! The oil companies are quietly converting to gas-only operations and eliminating repairs and services. Meanwhile, shops specializing in quick oil changes are making a bundle. Customers gladly pay 20 percent more than the regular gas station price, and they line up at every location we've seen opened. One of our members started with this manual two years ago and already has 10 shops! You get angles on buying top-grade oil cheaply, finding the best location, and getting financial help easily. You can get started with as little as \$3,500 and net profits of \$35,000 a year are common.

Manual #54 Price, \$35.00

## Handcraft Co-Op Gallery

Here's a terrific new business concept that violates all the rules! No inventory, minimum overhead, and an incredible 30 percent profit margin! A takeoff on the old flea market idea, this concept offers tremendous advantages to both buyer and seller. Artisans no longer have to rely on weekend-only flea markets in out-of-the-way places. Customers have the convenience of a nifty store nearby, with reasonably priced one-of-a-kind items. And you can net \$6,000 to \$10,000 monthly simply by renting out portions of your leased space in a shopping complex and collecting a hefty 30 percent of everything sold. With only \$13,000 you can get started with this amazingly profitable business.

Manual #118 Price, \$35.00

## Private Mail Box Service

Compete with the post office and turn mailboxes into cash boxes! We've uncovered an infant business that's so profitable many owners don't want to talk about it! Renting private post office boxes from city storefront or office locations. Start-up capital can be very low with high net profit before taxes of \$25,000. Demand for post office boxes has mushroomed in recent years with no sign of letup, because of the increasingly transient nature of our society and the increase in business use. Now is the time to get in on the ground floor. It's easy to start with the step-by-step system outlined here.

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**Santa Monica, Calif.**—The editors of ENTREPRENEUR Magazine have just made their annual selection of "10 HOTTEST NEW BUSINESSES FOR 1990." Most were developed by businesspeople who saw a need and set about to fill it. You'll probably find yourself saying "Why didn't I think of that?" as you read the following paragraphs.

Fortunately, these new concepts are not yet widespread with room for many in most cities around the nation. You may find just the business you've been looking for.

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Seminar promoting can actually make you wealthy overnight! The simple process of putting on seminars has become, in the last few years, one of the most profitable methods of selling information. It is not unusual for a two-day seminar to earn a promoter \$20,000 net profit on an investment as low as \$2,000! We show you how some promoters put on only three or four each year and take home net profits of \$50,000 to over \$100,000. You get all the angles, including how to get top-name speakers free.

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## Energy Loss Prevention

The timing is perfect to cash in on the energy crisis. With heating and air conditioning bills up 20% to 600% in the past five years, everybody is concerned! You can make huge profits by saving home and building owners money on wasted energy. We even explain how you can use a new instant thermal camera to pinpoint heat loss on the spot! Many contractors grossing \$200,000 to \$500,000 their first year. No reason you can't do the same with the instructions in this new manual.

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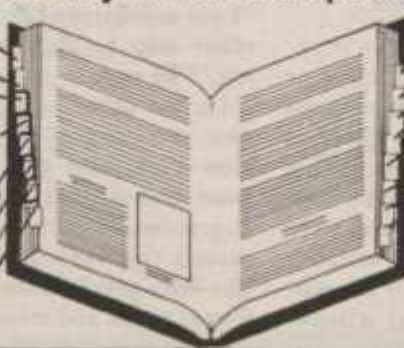
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Truly one of the most phenomenal businesses we've seen! Every dealer we investigated was turning away customers—vehicles were fully booked—with as much as a three-month wait for a vehicle! It's not hard to see why customers are beating a path to their doors. With rental rates of \$7 a day or \$46 a week and virtually no competition, this is a dream business! Market is practically untouched in every city and profits are unbelievable. We found one operator whose net profits exceed \$600,000 a year from his small 50'-by-100' lot.

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These manuals were prepared by the only small business "investigation organization in the world," AMERICAN ENTREPRENEURS ASSOCIATION (AEA) is staffed by MBA-trained investigators under the direction of the foremost authority on small business, Chase Reisel.

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## I.D. Cards Turn Off Americans

**T**HE INFLUX of illegal aliens and the high rate of unemployment have prompted discussion of issuing personal identification cards for everyone in the United States. Although it could prove to be a costly program, those in favor hope that identity cards would help stop competition in the job market between illegal aliens and U.S. citizens.

In the September Sound Off, NATION'S BUSINESS asked its readers: "Should we require identity cards?" By almost a 2 to 1 margin, the vote was in the negative.

"Show me one government registration program that works and has not

identified don't need to be further identified. What is needed are tighter controls on immigration."

David A. Nebel, general manager of Rosie O'Grady's, Inc., in Pensacola, Fla., agrees. "Since 85 percent of government employees accomplish absolutely nothing but using up our tax money, let's put them into a worthwhile program," he says. "They can all join hands and form a line all the way around the borders of the U.S. and keep all aliens from entering. At least that way we might get our money's worth."

D. P. Phillips, a vice president at Klein Tools, Inc., in Chicago, is one of many readers who see peril to liberty in a compulsory identification card program. "We do not need additional intrusions into the privacy of American citizens," he says. "Identity cards lead to added dangers of government regimentation of the population."

Terry L. Sole of South Charleston, W. Va., raises the specter of the totalitarian world of George Orwell's 1984. "I see mandatory I.D. cards as just another step to 'Big Brother is watching,'" he says.

On the other hand, C. R. Devine, a vice president of *Reader's Digest* in New York, says that "I.D. cards, far from threatening First Amendment guarantees of civil liberty, do much to protect the freedom of the individual. The only people endangered would be illegal aliens and criminals."

Michael G. Neuburger, a senior vice president for Beech Aircraft Corporation's international division in Wichita, Kans., says: "I.D. cards are no infringement on personal liberty, any more than driver's licenses are. They are convenient in an era of threatening terrorism and for individuals to cash checks and do other things necessary where personal identification is desirable."

Also arguing that the proposed cards would benefit people who need acceptable identification is Gladys D. Seaton, president of the Nebraska Television Corporation in Hastings, Nebr. She explains: "I don't see why anyone would object to carrying an identity card. I

carry three all the time—Social Security, driver's license and Blue Cross. A driver's license is accepted as identification in all parts of the country. People who do not have a driver's license have a problem."

But Cynthia Raney, office manager for Castle Engine Service in Dayton, Tex., asks: "Aren't we American citizens laden with enough official documents? We start out in life with a birth certificate, we need a Social Security number to enable us to work, and we need a driver's license and a marriage license. Our families can't even reap the benefits of a life insurance policy without a death certificate."

Another argument against required identity cards is made by David C. Ruble, an employee of the Bank of Bismarck in Bismarck, Mo. "If birth certificates, driver's licenses and Social Security cards can be forged, why not forge an identity card?" he asks. Other respondents see the possibility of a black market in forged cards.

Many respondents, either for or against the proposed identity cards, recommend that Social Security cards be revised to include more extensive identifying information. For example, Frank Korzeb, president of AGF, Inc., in Elizabeth, N.J., suggests that the identity card "should be a Social Secu-

**“We don't need  
or want more  
government  
control of  
our lives.”**

or cannot be abused by officials or agencies, and I'll consider the proposal a reasonable one," says R. Stephen Trudeau, a partner in an advertising agency, Ad America, in Mount Pleasant, Mich. "Even if this proposal were guaranteed 100 percent safe, wouldn't it be rather expensive just for the purpose of identifying illegal aliens? There must be a better way."

Walter P. Winner, president of the Aviation Book Company in Glendale, Calif., votes yes if identity cards will help control illegal aliens, fraudulent welfare claims and crime. "If something isn't done soon to control these problems, we may suffer much more than the inconvenience of carrying a personalized card," he says.

However, readers who disagree with requiring identity cards suggest stricter immigration laws. "The cost in taxpayer dollars, coupled with the impossibility of administering such a program, makes it far less than desirable," argues Doris G. Shake of Louisville, Ky. "We who are already

**“I.D. cards are  
no infringement on  
personal liberty,  
any more than  
driver's licenses are.”**

rity card, with a photo and a magnetically coded fingerprint, which is updated every few years."

John R. Fogg, a branch manager for the Central Utah Insurance Agency in Moab, Utah, has the last word, at least in this report: "We don't need or want more government control of our lives. America was organized so people could be free. Keep it that way." □



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Make The  
Most Of

# NOW

By Frank R. Beaudine

**R**OGER B. HAS HAD a rapid rise in the business world and is currently one of the youngest division managers in a major diversified company. He has excellent prospects for eventually becoming group vice president. But he is a man in a hurry and thinks constantly about when he will get his next step up the ladder. He worries about other division managers overshadowing his performance, frets over each problem that arises in the plant or the field and is impatient with his staff. Roger has headaches and stomach problems. He does not really enjoy his present position any more than he did his previous one.

Mary J. graduated in the upper 10 percent of her class and did equally well in attaining her M.B.A. Her progress with a major business equipment company has been rapid, and she devotes her full energies toward her goal of becoming the first female corporate officer in the company's history. She has also developed an aggressive personal style and an aloofness toward her peers to offset what she perceives alternately as hostile or patronizing attitudes from male counterparts. Mary is often lonely and unhappy. She senses a void in her life that she cannot clearly define.

FRANK R. BEAUDINE is chairman of Eastman & Beaudine, Inc., Chicago, an international executive search firm.

There is a strong tendency on the part of many people to equate success in business with future achievement. Higher status, greater power and increased income are seen as the fruits of scrambling up the corporate ladder. Indeed, there is immense exhilaration and satisfaction as one's capabilities and dedication are recognized and rewarded by promotion and added responsibility.

Yet, literature about business is littered with references to executive dissatisfaction and frustration. Executives have been stereotyped as driven and joyless. Such a characterization may be exaggerated, but it does not lack substance.

A major factor in this situation is that many of us fail to recognize that the key to real success is to live now, not in the hedonistic sense, but to capture the opportunities, joys and satisfactions of each day.

Many aspiring executives are victims of their own plans for success; they focus so intently on a perceived but nebulous future that success and satisfaction in the present are foreclosed. Others, disappointed over the progress of their careers, dwell on missed opportunities of the past. In both instances, discontent and feelings of lack of fulfillment are the result.

It is important to have a fairly well-defined sense of career direction, and the planning and establishing of goals

help develop it. They provide checkpoints to evaluate the progress an individual is making in terms of experience, wisdom and personal growth. However, there can be too great a focus on the future—to the point where one is living more there than in the present. And living in the future can be hazardous.

**F**OR EXAMPLE, we have all seen the overly dedicated person who sacrifices family and social activities in a consuming drive to attain what he considers to be success—all for the family that is virtually ignored in the process. One day he steps out of the future into reality, only to find that the children are grown and his wife has developed her own set of interests. He realizes that he had been living with his attention focused on some amorphous future and has missed the flavor and pleasure of each day along the way.

Living in the past is somewhat analogous to living in the future: The past is gone forever, and the future may never materialize as expected. Despite these obvious truths, too many people fall into one trap or the other.

The tendency to equate success with goal attainment is at the heart of the problem. One obvious difficulty with this sort of reasoning is that a person who sees success as a future attainment does not see himself as a success



# How to Financially Survive the '80's

**"Millionaires Are Not 100 Times Smarter Than You, They Just Know The Wealth Formula"**



**Mark O. Haroldsen  
Millionaire in 48 Months**

Millionaires are not 100 or even 10 times smarter than you, but it is a fact that millionaires are making 10 to 50 and even 100 times more than you.

Are these wealthy people working that much harder than you? No way!

If you are working only 20 hours a week, it would be physically impossible. (There are only 168 hours in a week, no one gets more.)

These questions used to really stump me. That was a few years ago.

My wife and I then lived in Denver, Colorado, at 2545 South High Street. We paid \$135 a month rent for a cramped, tumbled down house. My wife was expecting our second child and we were flat broke. I felt desperate and forced into a corner. I had to borrow \$150 from my father and another \$150 from my father-in-law just to buy the groceries and pay the rent. If that wasn't enough, I was several thousands dollars in debt.

Things are much different now. Last year I could have retired and lived off the income of my one million dollars in real estate holdings. (Incidentally, almost all of the income from the real estate is tax free).

Since I had worked 20 to 40 hours a week, I know that I didn't work even 10 times longer or harder than you. And with my C-average from Ames High School (located in Ames, Iowa), I'm

quite certain that I'm not any smarter than you.

If hours, efforts, or brains are not what separates the rich from the average guy who is swamped with debts and very little income, then what is?

I learned the answer to that question from an old fellow in Denver. This fellow worked in a drug store stocking the shelves. Very few people knew that he had \$200,000 in the bank, all of which he had earned starting from nothing.

Within a year after meeting him, I was told and shown the same thing by a young man who had recently earned over a million dollars. By this time, I began to realize that what I was being shown was truly a remarkable and workable way to grow rich.

I began to apply the principles and methods I had been shown. The results were amazing. I couldn't believe how easy it was, in fact it seemed too easy.

But then I met an elderly lady (83 years old) who, although not very smart, has made \$117,000 using the same formula.

I then figured my beginning wasn't luck.

For three and one half years, I worked hard to refine and improve on the formula that I had been shown, so that it would be easy to get quicker results.

As I did this, my assets multiplied very rapidly (160 per cent per year) to the point that I didn't have to work any longer.

I guess I am bragging now, but I did start spending a lot of time in our back yard pool, traveling around the country, and doing a lot of loafing.

Then one day a friend asked me how he could do what I had done.

So I began to outline the formula that I had improved to show him really how simple it was, and how he could do the same thing.

By the next time he approached me, I had written almost a complete volume on the easy way for him to copy my results.

I wrote this in simple, straight forward language so anyone could understand it.

This time my friend's questions were very specific. (He had already begun buying properties with the formulas I had been giving him). Now he had a property he wanted to buy, but was out of cash. How could he buy it?

I not only showed him how to buy without cash, but by the time the deal was complete, he had \$5,000 cash in his pocket to boot.

I also showed him how to buy a \$26,000 property for \$75 down.

You, or anyone, can do exactly what I

did, or my close friends have done: in fact, you may well do it better. (I began doing this in my spare time only).

It doesn't matter where you live or the size of your town or city, my formula will show you exactly how to:

- Buy income properties for as little as \$100 down.
- Begin without any cash.
- Put \$10,000 cash in your pocket each time you buy (without selling property).
- Double your assets yearly.
- Legally avoid paying federal or state income taxes.
- Buy bargains at 1/2 their market value.
- Allow you to travel one week out of every month.

When you send me a check or money order for \$10, I will send you all my formulas and methods, and you are free to use them anywhere and as often as you would like.

Now if you were a personal friend of mine, I know you would believe me and not need any kind of guarantee, but since you don't know me personally, I will guarantee that you will be completely satisfied and that my formula will work for you if you apply it. I will back up that guarantee by not cashing your check for 30 days, and if you for any reason change your mind, let me know and I will send your uncashed check back.

You may well ask, why am I willing to share my formula for wealth? Well, because many of you will probably seek further consultation and direction from me as your wealth rapidly grows and my consultation fee adds to my fortune.

But you shouldn't care if I profit as long as you profit. And I guarantee that you will.

By the way, if you feel a little uneasy about sending a check or money order for \$10.00, simply postdate it by 30 days which will completely eliminate your risk.

If you would like to check some of my references I have listed a few:

Salt Lake Chamber of Commerce, 19 East 200 South, Salt Lake City, Utah 84111; Charles F. Huber, Certified Public Accountant, 1850 Beneficial Life Towers, Salt Lake City, Utah. 801-531-8286.

To order, simply write on any size paper "Financial Genius," your name and address including zip code, place it in an envelope and send it to Mark O. Haroldsen, Inc., 2612 South 1030 West, Dept. AJ-163, Salt Lake City, Utah 84119. Be sure to enclose a check or money for \$10.

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now. Yet now is the only time that exists. It is now that we should feel fulfilled.

Of course there are future goals, but it is now that we live and act, and it is now that we must feel successful. If we don't, then now and only now is the time to make some changes in our thoughts and in our actions. Today has a whole set of problems and challenges of its own. Handle them.

**A**NOTHER MAJOR problem is that future goals generally are based upon a set of values that we had some time in the past. Attainment of any goal necessitates a sense of commitment—a willingness to pay a price. The fact is, however, that our base of values and our willingness to pay the price will change as we advance in age, experience and wisdom—and it is entirely proper that they do change.

Consider a young, single executive who has established a five-year goal of achievement and is busily working toward it. One day he or she enters marriage. Priorities and values suddenly change. Then there is a child. More changes. A young woman, for example, may decide that her career has become far less important and that she is fulfilled as a mother and homemaker. A young man may determine that the heavy travel schedule he thought essential for rapid career growth must now be curtailed. His value base has changed, and he is no longer willing to pay the price.

Experience with many executives has led me to conclude that the failure to achieve original goals in most cases is due not so much to a lack of ability

as it is to an unwillingness at some point to pay the necessary price.

People who lose sight of present opportunities not only deprive themselves of daily satisfactions, but also are more apt to make wrong decisions about their future.

They may pursue false goals, for example.

As executive vice president, John S. needed only one more step to realize his lifetime goal of running a company. When the president retired, however, the board decided to bring in an outsider. John then seized an opportunity to head a somewhat smaller company. There he encountered a mounting series of problems, some of which he had never dealt with before. An unsympathetic board of directors contributed to his burdens, and he found himself under constant and intense pressure, with no time for family. Depression led to introspection, and John came to the realization that he did not enjoy the responsibilities of running a company.

People who concentrate on the future to the exclusion of the present may miss important opportunities.

Charles L., a senior member of a headquarters manufacturing staff for five years, had made important contributions to improving divisional productivity and quality. He anticipated the day when he would run the manufacturing operations of a division, which he felt was sure to come in view of his outstanding performance. He turned down offers of staff jobs with two other large companies. It was another three years before Charles woke up to the fact that he was never under

serious consideration for a line position, and now he broods about what might have been.

Current performance may be neglected.

When William J. was named regional sales manager, he immediately planned the strategy for his next target position—general sales manager. After that, of course, he would be in a good position to go for vice president, perhaps with an even larger company. William spent a lot of time at headquarters, cultivating the "right" people. He wrote reports about what competitors were doing, recommended improvements that should be made in the company's products and offered incentive ideas for sales growth.

However, he never got around to solving the problem of broadening distribution in his own region, and he was reassigned.

Also, those with their eyes on the future may end up living in the past.

**J**OSEPH R. had an exciting career, with steady growth of responsibility, in a major international firm. At 45 he was a group vice president and at 55 an executive vice president. At 60 he was passed over for chief executive, and now, at 62, he is a bitter man.

He will carry out his responsibilities until retirement, but he has no interest in his company or in sharing his wealth of experience with younger executives. He thinks mainly of past achievements, but even his wife is getting weary of hearing about them.

The most satisfied executives are those who concentrate on each day as it comes. They know values change with time. They are careful not to get locked into a course of action aimed at attaining goals, set long ago, which may no longer be relevant. Most important, they enjoy now, in appreciation of the fact it is the only time that really counts. It is interesting to note that such people have the least difficulty leading a full life in their retirement years.

Success transcends the achievement of business goals. It is a matter of realizing fulfillment and satisfaction in whatever you are doing, and career goals that do not produce this feeling along the way should be seriously questioned.

Maintaining a constant awareness of now and making maximum use of it is strong preventive medicine for career mistakes and leads to a more rewarding life. □

## Knowing the Score

Some years ago I played golf with an elderly gentleman who could not hit the ball very far. He was four or five strokes over par on each hole. When he mentioned he had regularly shot close to par when he was younger, I asked if it didn't bother him now to score so high. "Oh, no," he said, "I'm just happy to be out here in the sun, being with nice people, seeing the trees and beautiful flowers." Then he looked at me and observed: "You haven't been seeing the flowers, have you?"

That man taught me more

about being a successful golfer than all the lessons I have had from professional players. I hadn't really been aware of my surroundings at all, and I'm afraid the same thing is true of many people as they go through life. My golf score is not much better than it was then, but each game is more enjoyable because I appreciate the course, the friends and the game itself. There is far more to golf than just the score, more to life than work and more to work than just the attainment of goals.

—Frank R. Beaudine



## Racquetball:

# The Beginner Can Be Good

By John Costello

**I**t's 5:30 P.M. Gene Grapes, a husky six-footer, walks out of his office, heads for the company parking lot, hops into his 1972 green and white Mustang and jumps right on Interstate 376. By 6, he's at the Monroeville Racquet Club, 14 miles away. There, he meets with a half-dozen other top racquetball players. They put in a good hour and a half or two hours at singles or doubles racquetball, slamming a 2½-inch rubber ball around the court.

That's Gene's routine almost every Monday,



PHOTO: LEO KAPLAN/REUTERS



Wednesday and Friday, winter or summer, 52 weeks a year, come hell, high water or childbirth.

Gene is vice president and general manager of W. W. Patterson Company, Inc., Pittsburgh. His firm specializes in manufacturing hardware used to strap cargo containers to the decks of ships and barges.

Why racquetball?

"Well, I think four-wall handball is the ultimate indoor game," he says.

"That's what I used to play. But about 18 years ago, I suffered a back injury. And four-wall handball is risky for a guy with back problems.

"So I switched to racquetball. It's played on a four-wall handball court, but it's not as physically demanding. Still, it's a good workout.

"And racquetball is probably the easiest and quickest sport to learn that allows you to compete head-to-head with someone else."

Gene Grapes likes head-to-head competition.

In 1975 he won the national singles championship in the master age bracket, 45 to 55. He and a partner won the national doubles championship in 1973, 1977 and 1978.

Racquetball may be America's fastest-growing sport. Like baseball and basketball, it was born in the U.S.A.—but a lot more recently.

Joseph G. Sobek started the game. Joe—then an executive with a Connecticut-based rubber firm and now taking life easier as a country club tennis pro for part of the year—tried handball at a Greenwich, Conn., YMCA after World War II. But the hard rubber handball made a beginner's hands puff up to the size of hams.

So Joe and his friends switched to paddle ball. But the wooden paddle left much to be desired, Joe felt—a racquet would enable a player to hit the ball harder and control it better. In 1950, Joe developed a short-handled racquet with strings and began working up rules for racquetball.

The game was off and running.

But even as late as 1970, only about

50,000 men and women played racquetball. Now, says Luke St. Onge, executive director of the American Amateur Racquetball Association, as many as 10 million play. More than that, the United States Racquetball Association says—about 14 million.

How come the sport grew so quickly?

Partly because anywhere you found a public handball court—and there were about 25,000 of them even in the '60s—you could play the game. Fur-

thermore, they can be far more. You can buy a tin of balls, two to a can, for about \$2.50 to \$4. Racquets come as low as \$12 to as much as \$130 for a graphite model, Carol Brusslan, managing editor of USRA's *National Racquetball*, says. An advertiser in *Racquetball*, the Amateur Racquetball Association's magazine, offers graphite racquets from \$24.95 to \$94.95.

MarLou Manas is one of the millions of female racquetball players. She and her husband, Alan, live and work in downtown Chicago. They play there together, too. But that's not the way it was when they were newlyweds.

"Alan started playing handball," MarLou says, "at a West Side YMCA. It was a macho club. Women weren't even allowed in the building. He'd work all day and play handball two or three evenings a week. We wouldn't see much of each other."

That has all changed.

Four years ago, a brochure plugging a new downtown racquet and health club floated by MarLou's desk at Dart & Kraft, Inc., where she is a marketing group coordinator.

"It offered equal facilities for men and women," she says, "and that promised to solve the togetherness problem."

"I like sports. I ski, swim and play tennis. I knew I could play racquetball with my husband, even though I couldn't play handball with him. So we joined

the new club.

"We live in downtown Marina City. That's only a few minutes' walk from his office and mine. The club is even closer to both of us."

Now, three times a week, they meet there to play singles with each other. Usually another couple or two join them. Then they often go out for dinner.

"After an hour on the court," MarLou says, "a soak in the whirlpool bath and then the steam room, you're rejuvenated. You're ready to party."

Partying doesn't interest Harold Wah. And if you knew him, you'd un-

PHOTO: SAN BASS—FREELANCE PHOTOGRAPHERS GUILD



Racquetball inside glass walls is a growing spectator sport.

thermore, it's not just a sport for male jocks. About four out of 10 racquetball players are women.

Nor is it an expensive sport.

Players spend about \$300 million a year on racquets, balls, clothing and accessories, USRA estimates. They shell out about the same amount for club memberships and court fees, according to the National Court Club Association.

There are some 1,500 commercial racquetball clubs—a decade ago there were none—in the U.S., the Court Club Association says. Yearly dues ordinarily run anywhere from \$25 to \$300,





derstand why he and his wife have little time for social life.

Harold has more irons in the fire than an overachieving blacksmith. He usually writes more insurance than anyone else in the Yuma, Ariz., office of New York Life Insurance Company. He also owns and operates a five-acre chicken farm, and he is building an 11-unit apartment building and a laundromat.

Debbie Wah, his wife, is no slugabed either.

She owns and operates a general store in Winterhaven, Calif., nearby. It's open from 9 a.m. to 8 p.m.

When the Yuma Athletic Club had its grand opening 2½ years ago, both Wahs were on hand.

"My kids, Dennis and Denise, wanted to look at it," Harold Wah says, "so we all went over."

"They had a couple of glass-walled courts where you could watch the players. Someone on the public address system announced the scores and explained how the game was played."

"The next day, Debbie and I went back. We spent about \$250 on racquets, shoes, shorts, socks, goggles, sweatbands and shirts. The manager gave us a few lessons, and we started to play every night."

"One of the things we liked about it was that the courts were open to midnight. It's 9 p.m. before my wife gets away from her store. We'd go and play racquetball until they locked the place up. In fact, we played for 93 nights straight."

That frantic pace has slackened off some, but Harold Wah still plays whenever he can.

What's the charm of it, for him?

"I like the sport because it's fast," says the ex-high-school football and baseball player. "It's a good, challenging sport, and yet you can play a game in 20 minutes."

"And you don't have to chase the ball all over. You have four walls—and

a ceiling. I like the ceiling. That means you can have air conditioning."

To get the full import of that, you must know Yuma.

This desert town, pop. 50,000, is a great winter resort, but its average afternoon temperature from June 10 to September 20 is 105 degrees.

Thus the story about the soldier stationed many years at old Fort Yuma. Eventually, he died and went to hell. The next day, he was back at Yuma—to get blankets.

Rochelle Wiener, proprietor of Just the Right Thing, a Memphis, Tenn., gift shop, likes a couple of things about racquetball.

One, exercise.

"I always exercised every morning," she says, "but not to a great extent. You know, 15 minutes in my bedroom. Just leg lifts and things like that. But it's boring, and you're not using your whole body."

Two, opportunity.

"I felt I could always find someone to play with," she says. "It's not like the team sports I used to play in high school—basketball, volleyball and baseball. There you have to get a whole group together. And you can play racquetball any time—7 in the morning or 7 at night."

She took up the game six months ago and now plays about four times a week.

How come this frenzied burst of activity?

"I have a husband who plays handball," Mrs. Edward J. Wiener says, "as well as a son and a daughter. My son is a basketball player, and my daughter was a cheerleader in high school. I spent so many years car-pooling all these athletes around that I didn't really have time for athletics myself. I just never thought about me."

"Then all of a sudden, the children were grown and could take themselves

around. And there I was—just going home and waiting for them. So I told myself: 'My turn!'"



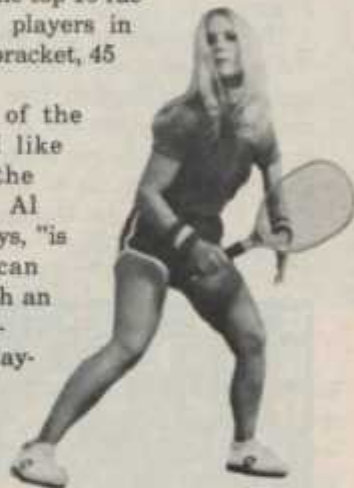
She is a tough competitor. "If I'm beaten," she says, "I'll lose graciously. But I'll come back the next time and beat you."

If you were John McEnroe or Bjorn Borg, finding someone to give you a tennis game that would test your mettle would be tough, unless you ran into Jimmy Connors. The same is true for golf. Not even a big handicap would make a weekend hacker a fun partner for Tom Watson.

Not so in racquetball.

Take Alfred N. Rossi. He's a former varsity basketball player who has also played golf and tennis. For the past decade, he has been ranked nationally among the top 10 racquetball players in his age bracket, 45 and up.

"One of the things I like about the game," Al Rossi says, "is that I can play with an inexperienced play-



er and still get a good workout. In tennis, you have a net and boundary lines to worry about. Get on a court with a novice, and you just wouldn't get a game. Your opponent couldn't keep the ball in play."

"But in racquetball, you're on a closed court, 20 feet wide and 40 feet long. And you play the ball off all four walls. Anyone who has eye-hand coordination can play. All the player has to do is get the racquet on the ball, and it will fly up to the front wall and bounce back."

Anything else he likes about it?

"Yes. I'm a businessman, a partner in Podesta Baldocchi Flowers in San Francisco. We're one of the biggest single retailers in our field in the United States. So for me, racquetball offers an extra dimension."

"I play in 12 to 15 tournaments a year. That takes me to places—Seattle, Edmonton, Boston, Miami—all over the U.S. and Canada. So I'm able to meet a lot of people in my business and others. It keeps me in touch with what's happening in the rest of the country."

"It's like joining the Navy to see the world. I see quite a bit of it." □



## Enticing Diners With Fun and Game

Operating a unique French restaurant in Washington, a city that is full of French restaurants, is not easy, but Dominique D'Ermo does it. It has taken the ingenuity and determination of a resistance fighter, and that's what Dominique was, as well as an accomplished pastry chef, back in his native France.

"When I came to this country after the war," he says, "I was 26 years old and spoke no English. One day in Miami I had only \$20 left in my pocket, but I managed to get a job at Martha Raye's nightclub as a wine captain. Then I went to the University of Miami to study English."



Dominique displays a fresh, and legal, menu offering.

With that kind of drive, Dominique—nobody calls him Mr. D'Ermo—rose rapidly. By 1956 he was executive pastry chef at the Americana Hotel in Bal Harbour, Fla., and he went on to become the vice president of Princess Hotels International. In 1974 he opened a restaurant in Washington.

"I was lucky," says Dominique, "that Ed Snider, owner of the Flyers hockey team and the Spectrum arena in Philadelphia, had faith in me and was willing to give me financial backing, because in the first six months Dominique's lost \$50,000." He smiles. "The next year," he says, "it made an \$80,000 profit." Dominique says his restaurant is now doing about \$3 mil-

lion in business a year, and hardly anyone of any importance in Washington has failed to dine there at some time. Many of the capital's bigwigs are regular patrons.

The first year, Dominique instituted a Bastille Day race in which waiters from various restaurants competed in carrying a split of champagne and two glasses on a tray three blocks down Pennsylvania Avenue from Dominique's to the White House and then back. The race has been held every July 14 since then, before larger and larger crowds.

Also, Dominique expanded his menu. "French restaurants in this country are very conservative," he says. "I didn't want Dominique's to be just another French restaurant, so I asked my chef to be creative." As a result, exotic game began to show up on the menu, including shark, wild boar, trout from Peru and rattlesnake, which caused a brief furor at the Interior Department until it was shown that the type of rattler being served was not an endangered species. More recently, Dominique was fined \$100 for serving white-winged doves, which, it turned out, could legally be shot and eaten, but not sold.

In 1976, Dominique was forced by new construction to relocate his restaurant across the street. It was to open on Jimmy Carter's inauguration day, but the builder said it could not be done. Dominique insisted. The builder threw down his hammer and walked off the job.

"When I was in the French resistance I never gave up," says Dominique. "If I did, I'd be dead, like many others. To finish a restaurant on time is nothing. You just have to lose a little sleep; you're not going to lose your life." So he brought in his staff, from the chef to the cashier, and with Dominique personally nailing down the floor among other things, the restaurant opened on schedule.



Leo LeBon leading a mountain ascent.

## Travel That Rises To a Challenge

Some people think Leo LeBon's work sounds like a perpetual vacation, while others think the trips he plans, and frequently leads, for Mountain Travel, Inc., are so arduous that even 12-hour days at humdrum jobs would be far preferable.

When the Himalayas were opened to outsiders in the early 1960s, Belgian-born LeBon was working for Thomas Cook Travel in San Francisco. He was convinced that rugged Nepal would be fun, and he began taking groups there on his own.

By 1968, LeBon had organized Mountain Travel, with a partner and less than \$20,000. Over the years, he has expanded the range of trips to include climbing peaks in the Andes, the North Alps of Japan, the Hoggar Mountains in the central Sahara and many more. The trips are graded from "A"—those that can be taken by almost anyone who is in good health and moderately active—to "E," which require at least three years' experience in the full range of mountaineering.

"We don't make the trips easier to attract more business," LeBon says. "The secret of our success is that we don't compromise—we try to make the trips a true educational experience. By most modern corporate standards, we are insane."

Nevertheless, several thousand people take the trips each year, and LeBon says Mountain Travel is now earning about \$3 million annually.

LeBon, 45, is working on a trip to Tibet. He expects to be the first to offer such mountain-climbing expeditions, which will include ascents on the Chinese side of Mount Everest.



## Now Corporations Are Leasing Suits

Increased concern with corporate image and the continual search for tax advantages provided Baltimore's Haas Tailoring Company with a new wrinkle that has enabled it to sew up more business. Through its Guilford Leasing Corporation, it leases out suits for executives.

Haas Tailoring's president, Irving J. Neuman, and executive vice president, John Haas, both third-generation employees of the 83-year-old firm, set up Guilford Leasing two years ago. "We don't even have a phone number for Guilford," says Neuman, "but the business is growing like Topsy. We're trying to control it."

Says Haas: "We had been dealing with dress consultants who sell to the top personnel in corporations throughout the country. One day we decided that with this access to top executives, we were missing a big market. Companies spend a lot on image—logos and such—but the people who really represent the corporation and build its image were sadly neglected."

Under the leasing plan, a corporation gets a consultation with a Haas Tailoring representative, an analysis of the wardrobe needs of the corporation's top executives and a recommendation on what custom-tailored suits each will need to project the proper corporate image. Rentals of the suits range from \$300 to \$500 for two years, but the corporation gets a tax deduction for about 40 percent of this as a consultation fee. (The remainder of the cost is a

prorated benefit taxable to the executives.) The minimum corporate order is \$5,000. Wardrobes, updated seasonally, are geared to geographical area and the type of business and the image it must project.

Despite the rather healthy price tags, there has been more business than could be handled. "We have had to pass up—at least for now—some very large accounts because they were too large for us to service, with people scattered all over the world," Haas says. "Ours is a wardrobe plan that has to be serviced. We don't just put a suit on someone and forget him for two years."

Haas says the primary concern, however, should not be the tax break, but improving the corporation's image through the appearance of its executives. "After all," he tells clients, "you never get a second chance to make a first impression."

together the museums and the corporations that want to support arts projects."

Before joining



Nina Kalden Wright searches through slides for exhibit items.

## The Fine Art Of Funding Exhibits

Nina Kalden Wright is a matchmaker, but not in the usual sense. She arranges marriages between business and the arts. And like matchmakers of old, she wants these marriages to succeed, so she turns down clients in cases where she thinks a less-than-perfect union will result.

Among her successful matches are those of Philip Morris, Inc., and the Whitney Museum of American Art in New York to produce an exhibit of 200 years of North American Indian art, and the American Express Company and the Art Gallery of Ontario in Toronto to show the treasures of Tutankhamun.

Wright, president of the Fine Arts Division of Ruder & Finn, Inc., a public relations firm, says: "The exhibitions are developed by museums, and I bring

Ruder & Finn, Wright was director of special projects for the American Federation of Arts, a nonprofit organization which puts together traveling exhibitions. At the time, she says, there was very little government support for the arts, and she soon became aware that even with museums sharing the cost of the traveling exhibits, many exhibits could not be completed for lack of funds.

"It came to me one day that we were looking for support in the wrong area, that there might be a way of obtaining large contributions from companies and in turn of giving them something to use in marketing and public relations," she says. She broached the idea to her boss, and it was tried with great success.

When Ruder & Finn's top executives, William Ruder and David Finn, saw what was happening at AFA, they liked what they saw and asked Wright to come to work for them. "I was fascinated by the prospect of encouraging corporate involvement in the visual arts," Wright says, "and after seven years with AFA I was ready for a change." Now, after 21 years with Ruder & Finn, she still finds the work challenging. And, unlike at AFA, she is in an enterprise which must make money. □



John Haas (left) and Irving J. Neuman.



## Let the Rebuilding Begin

**D**ISCUSSIONS of rebuilding America's industrial base tend to focus on nuts-and-bolts essentials such as capital formation, monetary and fiscal policy, and productivity growth. These things must be considered, as they are in an article in this issue. But an important prerequisite to more tangible forms of progress, we suggest, is that the country regain its faith in itself.

Pick up almost any major newspaper, and somewhere in it you are likely to find a public official, economist or social philosopher cautioning the American people to consider their limits.

That advice has its limits, one of which is the danger that too many of tomorrow's potential movers and shakers will accept it.

If our colonial ancestors had considered their limits, we wouldn't be here today. They took on one of the superpowers of their day—Great Britain—not once but twice, in 1776 and 1812.

They also established a democratically based government, a radical experiment that very few

of their contemporaries expected to succeed.

A host of significant American contributions to science and technology—from steam-powered ships through heavier-than-air flight to splitting the atom—were considered unattainable by many of the experts of the time. Americans built the Panama Canal after the French had tried and failed. And nobody, but nobody, had ever gone to the moon before. Or has since.

The U.S. has no monopoly on contributions to progress, of course. But in the long march of history, we have contributed proportionately more than our share. And most of those contributions have come at times when the country had far more limits to be conscious of than it does now.

So enough of the sackcloth and ashes. Let those with limited vision consider their limits. The rest of us can keep company—more productively—with the poet Robert Browning: "A man's reach should exceed his grasp, or what's a heaven for?"

## Help From the Sun

**S**OLAR ENERGY has seized the public's imagination—and for good reason. While its full potential is still decades away, solar in its many forms can help reduce this country's costly addiction to liquid fossil fuel.

War in the Middle East brings back the sobering reality of our dependence on imported petroleum and how fragile our oil lifeline really is. This underscores the need to develop solar as quickly as possible. But just as wishful thinking does not equate with fact, there is a limit to how much solar can contribute. That is why its development must be sensible, with public understanding and debate rising above "bumper sticker mania."

Which leads to the second point: The United States needs every energy source at its disposal, including synfuels and nuclear. In fact, some of today's most dedicated solar scientists point out that nuclear power remains this country's most important underdeveloped energy source.

Solar, in the form of biomass and hydropower, already contributes a sizable share of our energy needs. In time, it will provide much more. While solar technologies are maturing, however, the nation would be well advised to take stock of all of its energy options, develop them and make a renewed commitment to conserve energy as though its long-term future depended on it. Because it does.



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Cutlass	19.8	23	455	34	673	Toronado	22.8	21	478	31	706
Cutlass Cruiser	18.2	23	418	34	618	Ninety-Eight	27.0	21	567	33	891
Delta 88	27.0	23	621	34	918	Custom Cruiser	22.0	21	462	33	726

REMEMBER: Compare the EPA "estimated mpg" to the "estimated mpg" of other cars. You may get different mileage and range depending on how fast you drive, weather conditions and trip length. Your actual highway mileage and range will probably be less than the estimated highway fuel economy. Driving range estimates are obtained by multiplying EPA and highway estimates by the standard fuel tank capacity ratings. Estimates and ranges are lower in California. Oldsmobiles are equipped with GM-built engines produced by various divisions. See your dealer for details.

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